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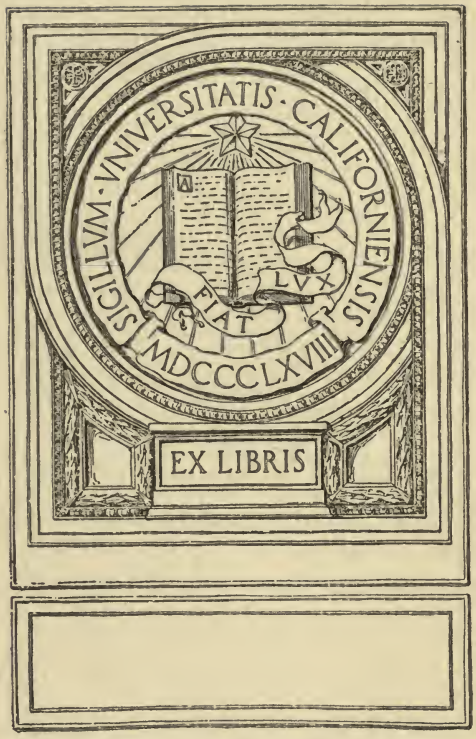
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MUNICIPAL OWNERSHIP

Municipal Ownership

A Brief Survey of the Extent, Rapid Growth and the Success of Municipal Ownership Throughout the World, Presenting the Arguments Against Private Ownership, the Failure of Regulation and the Advantages of Municipal Ownership

BY

CARL D. THOMPSON

UNIV. OF CALIFORNIA

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INTRODUCTION

Surely and steadily throughout the world, municipal ownership is winning its way. More than a half century of experience of every conceivable form and under all sorts of conditions has put the matter beyond the realm of theory and experiment in all of the older countries. Even in the United States, and especially in recent years, it is rapidly gaining ground. And in this, as in all matters, it is practical experience that carries more weight than all the other arguments.

Whatever else may be said against municipal ownership, it is pretty hard to meet the argument drawn from practical experience. The mere fact that hundreds and even thousands of cities have experimented with municipal ownership of one form or another, and after doing so have continued the system and extended it; the mere fact that, as a whole, cities embarking upon a career of municipal ownership are always extending it rather than restricting it;

the fact that the number and proportion of the cities of the world adopting some form of municipal ownership is steadily and constantly increasing—these facts constitute a pretty strong argument in favor of the system both in theory and practice. For surely if there were any really serious defect in the theory or any fatal weakness in the plan, it would have been discovered somewhere in this wide range of experience and proclaimed to the world. Furthermore, such a discovery, if really established, would have arrested the progress and stemmed the tide of municipal ownership.

First of all, then, we take up in our first chapter the extent and growth of municipal ownership. In the following chapters we deal with the disadvantages of private ownership, the failure of regulation, and the advantages of public or municipal ownership.

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MUNICIPAL OWNERSHIP

I

THE EXTENT AND GROWTH OF MUNICIPAL OWNERSHIP

1. *Municipal Ownership in the United States*

Municipal ownership is, of course, much less extensive in the United States than in the European countries. Yet there is enough here to constitute a really imposing array. And what is even more important, the number and extent is increasing rapidly.

Waterworks—For example, at the beginning of the last century, there were 16 water plants in the United States, only 1 of them was municipally owned. By the close of the century there were perhaps 3500 plants, more than half of which were publicly owned and 200 of which had changed from private to public ownership. Practically every one of the larger cities owns its water plants, the only exception being

San Francisco. And of all the cities of the United States of 30,000 population and over, there are 150 municipal to 50 private plants, or 3 public to 1 private.[1]

If there had been anything wrong with the theory or the practice of municipal ownership in the matter of waterworks, it would have been discovered long ago. As a matter of fact, it has been the unfailing success and overwhelming evidence of the superiority of municipal ownership that has brought it to the front so rapidly and steadily.

Electric Lighting—A similarly rapid growth has taken place in electric lighting. The first municipal lighting plant was established in 1881. At that time there were 7 private plants. From that time forward the number of municipal plants increased rapidly, until by 1912 there were 1562 municipal plants. Moreover, the percentage of increase of municipal plants has been much greater during the ten years ending with 1912 than that of the private plants, the percentage of increase for private plants being

[1] See *Annals of the American Academy of Political and Social Science*, for January, 1915, p. 279; also "Municipal and Private Operation of Public Utilities," pt. I, vol. I, pp. 127–8.

30.4, while that of the public plants was 91.7. The whole process is shown by the following table:

Electric Lighting Plants in United States [2]

	1912	*1907*	*1902*	*Per cent. increase 1912 over 1902*
Total number of stations	5,221	4,714	3,620	44.2
Commercial	3,659	3,462	2,805	30.4
Municipal	1,562	1,252	815	91.7

Moreover, the percentage of municipal plants has also increased, as shown by the following table:

Growth in United States of Municipal and Private Electric Light Plants

Year	*Municipal*	*Private*	*Total Number*	*Per cent. of municipal plants*
1881 [3]	1	7	8	...
1885	16	151	167	9.5
1890	137	872	1,009	13.5
1895	386	1,690	2,076	18.5
1900	710	2,514	3,224	22.02
1902	815	2,805	3,680	22.5
1905 (Sept.) [4]	988	3,076	4,064	24.3
1906 (Mar.)	1,660	3,234	4,284	24.4
1912 [5]	1,562	3,659	5,221	29.9

[2] Bulletin No. 124, Central Electric Light and Power Stations and Street Electric Railways, 1912, Department of Commerce, Bureau of the Census.

[3] Figures for 1881 to 1902 from United States Census office. Special report on central electric light and power stations, 1902, p. 106.

[4] Figures for 1905 and 1906 from Central station lists, September, 1905, and March, 1906.

Moreover, while there have been 13 plants that have changed from public to private ownership, there have been 170 plants that have changed from private to public ownership. In other words, for every electric light plant that has given up municipal ownership after trial and gone over to private ownership, 13 plants have gone in the opposite direction from private to public ownership.[6]

Thus the experience of 34 years in municipal electric lighting bears a similar testimony in favor of municipal ownership as the experience in municipal waterworks.

Gas Plants—The development of municipal ownership in the field of gas production has been less rapid. And the reasons are obvious. The development of electricity as a mode of lighting is more practical and convenient for municipal purposes, and besides is better suited to small cities where municipal ownership in lighting has had its chief development. More-

[5] Bulletin No. 124 of United States Census, 1912, above referred to. (Municipal Electric Lighting, by Ernest Bradford Smith, Bulletin No. 5, Wisconsin Free Library Commission, April, 1906.)

[6] "Municipal and Public Ownership of Public Utilities," vol. I, pt. I, p. 162.

over, gas manufacturing coming earlier than electricity, the private companies had secured long-term franchises which prevented municipal ownership in that direction more than in the field of electricity.

However, there has been considerable development even in this direction. There were only 9 municipal gas plants in the United States in 1890, and only 15 in 1899. By 1907, there were 25 in the United States and 10 in Canada. Comparing this with the growth of the private plants, the report of the Civic Federation finds that the number of private plants has grown about 48 per cent. and the number of municipal plants 67 per cent. in 6 years.[7]

Street Car Lines—The first city in the United States to undertake the municipal ownership of its street car lines was Monroe, Louisiana. That city took over its lines about fifteen years ago and reports indicate that the lines have been making a surplus of over $16,000 per year in recent years.

St. Louis, Missouri, has operated a short electric line in connection with its waterworks plant

[7] "Municipal and Public Ownership of Public Utilities," pp. 146–7.

for some years, but it is a very small part of the city's transportation system.

San Francisco is the first city of any size to really go into the municipal ownership of its street car lines. After nearly ten years of agitation, and after ten years of struggle in repeated elections, and after encountering and overcoming all sorts of court proceedings and other difficulties, the city finally started its first municipal cars in December, 1912. Since then it has steadily developed its system until at the end of the fiscal year 1915 it had a total of 43.04 miles of track with 197 cars in operation, and up to that time the city had made a total profit of $420,402.49. The net profit for the year ending June 30, 1915, was $82,135.30.[8]

Subways—In large cities, such as New York, Chicago, Philadelphia, Boston, and Pittsburgh, a subway for the transportation system seems indispensable. And the tendency in subways is in the direction of municipal ownership. Boston owns a twenty-six million dollar subway system. New York has built and is building a

[8] Financial Report of the Municipal Railroad of San Francisco.

subway system, the total cost of which will exceed $200,000,000. The original subways cost $50,000,000 and were built by the city and leased to a private company, thus securing ownership without operation. The new subway system will cost $180,000,000 and is being built by a sort of partnership between the city and private companies. In each case, however, the ultimate aim is municipal ownership.[9] Chicago has an elaborate street-car franchise which provides that 55 per cent. of the net profits from the street-car lines now operating in the city shall be set aside as a fund for the ultimate establishment of a municipally owned system, including a subway.

Docks, Warehouses, and Ferries—The importance of the public control of the terminal facilities of water transportation has driven many cities to extensive municipal ownership of docks, warehouses, ferries, and piers. Baltimore owns 5 miles of water frontage and 7500 feet of docks, including a great commerce and recreation pier. New York owns 349 miles

[9] "American Municipal Problems," by Charles Zueblin, pp. 34–40.

of water front, 235 warehouses, piers that bring the city a rental of $4,772,885 a year, and ferries that bring over a million more. Both Boston and Chicago have recently built magnificent municipal piers. They are the largest in the world. The Boston pier cost $3,500,000, is 1200 feet long and 400 feet wide. The Chicago pier is built out into the lake 3000 feet, is 290 feet wide, and cost $4,000,000. New Orleans owns twelve miles of belt railroad, joining its docks and its trunk-line railroads. San Francisco owns and operates one of the best ferry systems in the United States. Other and smaller cities are also successfully owning and operating various forms of water-terminal systems.

Parks and Playgrounds—The municipal ownership represented in parks and playgrounds in modern cities is enormous. Chicago has invested no less than $30,000,000, and the support of its park system together with its playgrounds, small parks, and squares requires over $2,000,000 a year.[10] New York now supports 8000 acres of park area, 10 acres of which alone cost $5,237,000. Chicago has 4230 acres of parks; St. Louis, 2286; Baltimore, 2401;

[10] "American Municipal Problems," pp. 274–75.

while Boston with its famous Common and its public gardens and its numerous small parks and playgrounds boasts of the best park system in the world.

If the park systems of all the cities of the United States are taken together the investment in this form of municipal ownership alone is truly enormous.

Libraries—There are 1844 public libraries in the United States with an annual expenditure of $14,756,567, and a capital investment of $109,717,908. By far the greater part of this investment is in the cities, and represents another phase of successful municipal ownership and operation.

Schools and Universities—The whole public school system is an example and perhaps the most striking example of successful public ownership. And while the system is general in its nature, it has by far its widest extent and most complete development within the municipalities. There are 590,000 people employed in the public schools of the United States, with an annual expenditure of $550,000,000, and a capital invested of $1,500,000,000. The kindergartens, manual training, domestic science, school gardens, open-

air schools, and vocational training have all had their earlier and fuller development in the city schools. And, finally, many cities have in recent years established municipal universities especially adapted to the needs of city life and its problems. The city of New York spent $5,000,000 in erecting the buildings of the College of the City of New York and is maintaining the institution at a cost of $600,000 per year. Cincinnati, Akron, and Toledo, Ohio, all have universities more or less distinctly municipal in their functions and in the matter of support and control.

Municipal Theaters—Red Wing, Minnesota, established a municipal theater in 1904. Northampton, Massachusetts; Concordia, Kansas; Hennessey, Oklahoma, and several other cities have embarked in this field of municipal ownership and operation with varying degrees of success.

Other Forms of Municipal Ownership—Besides the above more common forms of municipal ownership there are many others less common. The city of Boston owns and operates very successfully a large printing plant. Brookings, South Dakota, owns a telephone system.

Cincinnati owns a steam railroad over 300 miles long, traversing three States. It is owned by the city and leased to a private corporation for operation. The city derives a revenue of over $526,000 a year from the road. Weatherford, Oklahoma, and several other cities own and operate municipal ice plants. Mention should also be made of municipal public baths which are becoming quite general and which in New York city represent an investment of $1,700,000 and an annual expenditure of $750,000 a year; of public laundries, municipal band concerts, dances, motion-picture shows, and other means of public amusement which formerly were entirely under private ownership and control but which now are more and more being taken over, owned, and operated by the municipalities.

And all this makes no mention of the vast systems of roads, boulevards, and bridges maintained by the cities everywhere; of comfort stations, of municipal markets, of municipal newspapers, of innumerable hospitals of all kinds, of sanitaria and institutions for the defective and delinquent, and other forms of municipal ownership and operation more or less common to the American cities.

Thus the weight of practical experience in the ownership and operation of public utilities in the United States stands overwhelmingly on the side of municipal ownership.

2. *Municipal Ownership in Canada*

Municipal ownership is proportionately more extensively developed in the cities of Canada than in the United States. This is particularly true of electric lighting and street car lines.

Electric Light and Power—In the province of Ontario, and particularly in that section adjacent to the Niagara Falls, municipal ownership has had a peculiar and interesting development. Some twenty municipalities have coöperated in the formation of a commission, which in conjunction with the provincial government, has installed transmission systems for the purpose of delivering electricity from the hydro-electric power plants at Niagara Falls to be delivered at cost to the municipalities, the municipalities in turn delivering it at cost to their own power and light consumers through municipally owned distribution systems.

Toronto, the commercial as well as the politi-

cal capital of the province, has naturally taken the lead in this line and has established and developed a distributing system that will cost, when completed, $6,200,000.

In Western Canada, Winnipeg has taken the lead in the municipal ownership of hydro-electric power plants. In this case the city owns and operates not only the distributing system, but the transmission lines, which are 77 miles in length, and the generating plant as well. The entire plant is valued at $6,724,372, and supplies electricity at 3½ cents per kilowatt hour.[11]

Calgary owns its distributing system and also a plant that generates a part of the electricity it uses, the remainder being purchased from a private company.

Seven other cities in the "prairie provinces" own and operate their light plants, among them Edmonton, Regina, and Medicine Hat.

Water Plants—Practically all of the leading cities of Canada own and operate their water plants. The municipal plant at Winnipeg is

[11] *Annals of the American Academy of Political and Social Science*, Jan., 1915, pp. 246–253.

valued at $6,346,606. In that section some seven or eight cities have joined with Winnipeg, establishing what is known as the "Greater Winnipeg Water District," for the purpose of coöperating in the public ownership and operating of the water systems and the delivery of water to the various municipalities at cost.

Street Car Lines—Calgary has owned and operated its street car lines since 1909. Toronto purchased its lines in 1891 and re-sold or rather leased them on an agreement that has brought the city as high as $500,000 per year, suggesting what might have been done under complete municipal ownership.

Other Forms of Municipal Ownership—Besides the ownership of electric light and power plants, waterworks and street car lines, many of the Canadian cities own and operate other public utilities. Winnipeg, for example, owns and operates gas works, quarries, cemeteries, baths, comfort stations, and a municipal gravel pit. Calgary owns and operates, besides its street car lines, waterworks, an electric light and power plant, an asphalt-paving plant, a municipal market, stores and purchasing de-

partments, incinerators, and holds for sale at cost industrial sites for manufactures.

Thus in Canada, as well as in the United States, municipal ownership has scored notable victories, and the weight of practical experience goes to the side of public ownership.

3. *Municipal Ownership in Europe*

The experience with municipal ownership in the United States and Canada, favorable as it is, is only a suggestion compared to the experience in Europe. There, as is well known, municipal ownership has gone much farther and is much more conclusive in its results than in this country.

Speaking of the tendency to municipal ownership in Europe, in the *Annals of the American Academy of Political and Social Science,* for January, 1915, Frederic C. Howe, who is perhaps the foremost student of this subject in the United States, says:

"Municipal ownership in Europe is largely the product of the last twenty years. It has become the universally or almost universally accepted policy in Great Britain, and only to a less extent is it the accepted policy in Germany

and Switzerland, while to a somewhat lesser degree is it accepted in Italy, Austria-Hungary, and the Scandinavian countries."

England—The extent to which municipalization has gone in England may be seen from the following table, from which it will appear that in some fields it already dominates the situation:

Municipal Ownership in England [12]

	Public Undertakings		*Private Undertakings*	
Kind of Enterprise	*No.*	*Total Cap'l*	*No.*	*Total Cap'l*
Water	1,045	$330,914,491	251	$197,850,964
Gas	256	173,919,089	454	375,348,459
Electricity	334	155,728,000	174	133,838,750
Street railways...	142	199,061,278	154	83,660,551
	1,777	$779,622,858	1,033	$790,688,724

Speaking of this process of municipalization in English cities, in another place, the same author says:

"Municipal ownership in Great Britain has become an issue of wider scope than the ownership and working of street railways, gas, electric lighting, and water services. These so-called natural monopolies have been very generally taken over by the cities. But the movement has

[12] From "The British City," by Frederic C. Howe, p. 71.

not stopped there. In various places it has come to include municipal dwellings, docks, markets, and baths, race courses, oyster fisheries, slaughter houses, milk depots, employment bureaus, and sewage farms. The Brighton corporation owns the local race course, from which it derives a revenue of from $10,000 to $15,000 a year. Municipal theaters have been opened at Brighton and Southborough, West Ham manufactures its own paving stones and sells them to contractors at a profit. Colchester has a municipal oyster bed. Manchester produces soap, oil, tallow, and mortar as residuals from its gas and other industries. Many cities supplying gas deal in stoves and gas fittings. Others, dealing in electricity, wire the houses and supply them with fittings. Southport and Bradford are advocating municipal tailoring establishments to manufacture the uniforms of town employees.

"A number of cities supply sterilized milk for children, and the ultimate municipalization of the entire milk supply is being urged. Glasgow maintains an institution for the cure of inebriates. Wolverhampton sells ice to the trad-

ers of the town. Most of the cities own markets which yield a large revenue. Torquay breeds rabbits on a water preserve and enjoys therefrom a revenue in reduction of the rates; the city has also undertaken sheep farming. Tunbridge Wells grows hops for sale. Liverpool cultivates beets. Many cities operate large sewage farms on which are grown supplies for the fire, police, and other departments."[13]

"Glasgow owns farms aggregating 1571 acres besides quarries and workshops, forests, and dwellings. Doncaster owns a coal mine from which it derives an enormous revenue through royalties."[14]

Germany—The German city, according to Frederic C. Howe,[15] has carried socialization farther than any city in the world. The following table, the figures for which have been taken from various sources, gives an idea of the degree of municipalization in Germany in some of the leading industries:

[13] "Municipal Ownership in Great Britain," by Frederic C. Howe, pp. 5–6.

[14] "Collectivist State in the Making," by Emil Davies, p. 138.

[15] *Annals of the American Academy of Political and Social Science*, January, 1915.

Municipal Ownership in Germany

Water supply	1,333 cities
Gas supply	758 cities
Electricity	434 cities
Street-car lines	132 cities
Slaughter houses	783 cities

Of the fifty largest cities in Germany *all* own their gas plants and *all* own their markets; all but 2 own their waterworks and baths; all but 7 own their slaughter houses; all but 8 own their electric light and power plants, and 23 own their street car lines. Put into tabular form the case stands as below:

Fifty Largest German Cities

Number of Cities	*Own their*
48	Water supply
42	Electric supply
50	Gas supply
23	Street car lines
43	Slaughter houses
50	Markets
48	Baths

From this it will appear that in Germany municipal ownership is so common and so extensive that it is almost universal in many of the leading utilities.

4. *Municipal Ownership in General*

Besides the above lines of municipalization, with which all are more or less familiar, the

cities of other countries have entered almost every phase of public enterprise and social need. The following is only the briefest review of the more important phases.

Land—Freiburg owns 77.4 per cent. of its area; Ulm owns three-fourths; Coblenz, Augsburg, and Stettin, one-half; Cologne, Darmstadt, Breslau, Wiesbaden, *et al.*, between 30 and 50 per cent. Frankfort-on-Main owns $75,000,000 worth, or 12,397 acres, one-half of its area; 9445 acres are of forest, from which it derives a profit of $39,000. Klingenberg in Lower Franconia makes enough from its land and forests to pay all expenses and a surplus besides. Freudenstadt in Württemberg owns 6000 acres of forest and 32 acres of meadow land, deriving from both a revenue of $35,000 a year. Of this $26,500 pays the current expenses of the city, $300 is spent on common needs, and $8200 is divided among the citizens. In the Grand Duchy of Baden, 121 districts, and in Bavaria, 526, were absolutely free of taxes by reason of the incomes from the lands owned by them.[16]

Düsseldorf owns 2500 acres of land, with a

[16] "The Collectivist State in the Making," Davies, p. 24.

special fund of $5,750,000 set aside for the purpose of buying and selling real estate.[17]

The following table indicates the extent of land ownership, both within and without the city, of a number of European cities:[18]

	Total Area of City	*Total Amount of Land Owned By City*	*Proportion of Total City Area*	
			Within City	*Without City*
	Acres	*Acres*	*Per Cent.*	*Per Cent.*
Berlin	15,689.54	39,151.28	9.2	240.8
Munich	21,290.24	13,597.02	23.7	37.8
Leipsic	14,095.25	8,406.84	32.3	27.4
Strassburg ...	19,345.45	11,866.98	33.2	281.1
Hanover	9,677.25	5,674.90	37.7	20.4
Schoeneberg ..	2,338.60	1,633.33	4.2	65.1
Spandau	10,470.37	4,480.79	3.05	42.9
Zurich	10,894.64	5,621.52	26.0	25.9

Dwellings—Many European cities have built, own, and rent dwelling houses.

In England, Liverpool was one of the first cities to take up the matter of municipal housing. By 1906 the city had built 1820 tenements with 4359 rooms at a total cost for land and buildings of $1,783,000. London had built over 7943 of the municipal tenements by 1905 and had plans in hand at that time for as many more, so that more than 95,000 persons could

[17] "European Cities at Work," Howe, p. 51.

[18] *Idem.*, p. 98.

be provided for in the municipal dwellings when they were all completed. The total cost amounted to $24,619,830. Nearly all of the English cities of any size have made similar provisions for municipal dwellings. In 1907, Zurich, Switzerland, voted $500,000 and built 225 apartment houses which were rented at cost to the people. Later on 288 more are being built and 800 more planned. In April, 1912, Paris voted $40,000,000 to build similar houses. Buenos Ayres, South America, contracted for the building of 10,000 houses. Glasgow and Manchester rent flats. Sydney, New South Wales, voted $4,500,000 to build dwellings.[19]

Bakeries—In Italy there are over 20 municipal bakeries, some of them the finest in the world. Budapest started one a few years ago and sold 6140 tons of bread at a profit of $7250.[20]

Flour Mills—Some Italian towns own flour mills in connection with their bakeries.[21]

Milk—Four German towns produced milk from municipally owned herds and sold it di-

[19] "Collectivist State in the Making," Davies, pp. 25–28.
[20] *Idem.*, p. 52.
[21] *Idem.*, p. 52.

rect to the people. Many other cities buy and sell milk.[22]

Food Supplies—One hundred and forty-nine German cities have sold potatoes, while others handle meat, vegetables, etc.[23]

Farming—Munich has three large farms, comprising 5000 acres, on which are raised hay, potatoes, and other crops.[24]

Slaughter Houses—Nearly all of the German cities own and operate municipal slaughter houses. The one in Dresden covers 90 acres of ground, includes 68 buildings, and cost $4,260,000. "In almost all of the other countries of Europe," says Howe,[25] "as well as in South America, Egypt, even in the Far East, the private slaughter house has been closed. Paris has had public abattoirs since the time of the first Napoleon, who compelled the French cities to close the private houses and erect public ones. In Switzerland, Holland, Denmark, Austria-Hungary, Russia, and Scandinavia slaughtering has been in public hands for years."

Drug Stores—The city of Mayence, Ger-

[22] "Collectivist State in the Making," Davies, pp. 54–55.
[23] *Idem.*, pp. 54, 55.
[24] *Idem.*, p. 53.
[25] "European Cities at Work," p. 118.

many, has two municipal drug stores. There is a large number in Italy, 39 in Russia, of which 12 are in Petrograd alone.[26]

Restaurants—Munich, Ghent, Frankfort-on-Main, Hamburg, *et al.*, own restaurants and refreshment rooms.[27]

Brickworks—Tchernigoff, South Russia, has its own brickworks which it operates at a modest profit, the reason for their operation by the municipality having been the desire to keep down the prices of the local manufacturers, which had become exorbitant.[28]

Funerals—Paris, Frankfort-on-Main, Ludwigshafen, and other cities in France and Germany conduct funerals. In some cities undertaking is a municipal monopoly. In Switzerland every deceased citizen is given a free burial, including coffin, undertaker's services, a simple hearse, and one carriage for the family.[29]

Crematoria—In Prussia the right of owning crematoria is conferred only upon cities, unions of parishes, and church organizations. On the Continent practically every crematorium is mu-

[26] "Collectivist State in the Making," Davies, pp. 73–74.
[27] *Idem.*, p. 72.
[28] *Idem.*, p. 61.
[29] *Idem.*, pp. 120–122.

nicipally owned. In Germany there are 28 that are municipally owned. The charge of cremation in these is from $5 to $12.50, while under private ownership in Europe it is $75 and upward.[30]

Other enterprises conducted by European cities are savings banks, harbors and docks, vineyards, nurseries, firewood factories, fisheries, stores, ice plants, suburban railways, theaters, hotels, and quarries. In fact, practically the whole range of public utilities of every sort and description seems to have been covered somewhere by this process of municipalization.

Here, then, is the first unanswerable argument for municipal ownership: It has been put to the test of practical experience throughout the world and for a period of a half century, in every conceivable form and under every possible condition. It has stood the test, has won its way, and is more widespread and prevalent to-day than ever. The weight of the world's experience with ever-increasing emphasis has gone over to the side of municipal ownership.

[30] "Collectivist State in the Making," Davies, p. 122.

II

THE CASE AGAINST PRIVATE OWNERSHIP

We have already seen that the experience of the world with municipal ownership constitutes an argument in its favor, constantly increasing in weight and conclusiveness as the experience widens and its success prevails. Similarly the experience of the world with the private ownership of municipal utilities constitutes the most decisive test of the value and practicability of that form of ownership and control.

And here we submit the argument from experience against private ownership. It has been tried everywhere throughout the world in every possible condition. It is everywhere found unsatisfactory and is everywhere giving way and steadily and increasingly being replaced by municipal ownership.

1. *Private Ownership Wrong in Theory*

And if we inquire as to the reasons that lie back of the steady advance of municipal owner-

ship and analyze those reasons to determine what has caused the people in city after city, in State after State, and nation after nation, to discard private ownership one after another of their municipal utilities and substitute municipal ownership, we shall find one fundamental and ever-present cause, inherent in the very nature of the situation and essential to the whole system of private ownership. And that one fundamental fact is this: *The private ownership of a public utility is fundamentally hostile to and inconsistent with the public welfare.* The very theory and purpose of private ownership is fundamentally and essentially wrong when viewed from the standpoint of the welfare of all the people in the public good.

Private profit is the one essential, fundamental, and determining motive that operates under private ownership. The whole system is organized and conducted to that end. It is necessarily so. Private profit is the reason for the existence, the supreme purpose of private ownership. If private profit fails, the system of private ownership fails, and the whole organization falls to the ground.

Every corporation or company organized for

the ownership and operation of a public utility is organized and conducted with a view to this one essential and fundamental purpose. Capital is invested, labor hired, a board of directors selected, officers engaged and put in charge, with the one sole purpose in view—to make profit. If those in control do not make profit, they are dismissed and others put in charge who will.

Now this fundamental and essential purpose of private ownership is in conflict with the interests of the public. Every consideration of the public welfare and every concession to it cuts in on private profit. At every point, therefore, there arises a conflict of interests, an interminable struggle between the management and the public. The situation is as follows:

The Conflict of Interests under Private Ownership

The public wants and must have	*The corporation wants and must have*
Low rates	High fare
Good service	Cheap service
Good labor conditions	Low labor cost
Low capitalization so as to justify low rates	High capitalization so as to justify high rates
Small profits or none	Big profits
Profits go to the public	Profits go to stockholders
Diffusion of wealth	Concentration of wealth
Franchises and ordinances that protect the public	Franchises and ordinances that help the corporations
Public officials who serve the people	Public officials who serve the corporations

Such is the conflict as long as private ownership of a public utility prevails.

The public wants low fares. But the private corporation must not allow the reduction if there is any way to prevent it, because every reduction reduces their profits.

The public demands good service. The corporations must meet this demand to a certain extent, but every additional dollar spent in improving the service leaves that much less for profits, hence expenses in that direction must be kept as low as possible.

The people want just treatment of labor—good wages, reasonable hours, and fair conditions. And to this end the people almost universally support the right of labor to organize. But these things cut in on profits, and so again the management is compelled to resist every possible demand and keep down the labor cost to the lowest possible point.

The people are willing to allow a reasonable return on capital actually invested. But the corporations, in order to justify their rates and thus protect their profits, are constantly overcapitalizing their concerns.

The interests of the people demand that all

public services shall be rendered at cost and without any profit, as in the postal department. The profit in such services is simply an extra charge levied upon the people in the interests of a few stockholders. But such a cause would destroy private corporations entirely. Hence all action in that direction must be resisted.

The people want wealth diffused among the people. The very purpose of a corporation is to draw wealth from the many through the profits gained and concentrate it in the hands of the few.

The public wants franchises and ordinances that safeguard the interests of the people in all respects. But such ordinances always cut in on the profit fund of the corporations, and if allowed to go too far would absorb it entirely. Hence again the corporations must resist.

And, finally, since the fight is on, the people must have public officials who can be depended upon, when elected to office, to resist every encroachment of the corporations and see to it that the interests of the public are protected in every way. But the corporations are just as vitally concerned to see that public officials are elected who will protect their interests. Hence,

whether they will or no, the corporations are and must be alert and active in every political campaign. Their very existence depends upon it.

And so the fight is on. It goes on in every city, every State, and every nation where public utilities are privately owned. But the conflict is an unequal one. The corporations have the advantage. And as a matter of fact and on the whole, the people lose in the battle. Under private ownership the corporations get what they want—the people do not.

The whole idea is wrong in principle, and this fact is now being recognized more and more even in conservative circles. For example, Congressman Robert Crosser, in his address at the conference of mayors in Philadelphia, November, 1914, speaking of this matter of regulation, declared: "Regulation may, and no doubt does, prevent the evils to which we have referred from going to the extremes that otherwise would be the case, but the theory of regulation is not sound. It is never a really effective method of procuring the desired results, and is not at all permanent. It is an unsound philosophy, which insists upon the maintaining

of conditions which naturally induce human nature to go wrong when it comes in contact with them. If we make it to the material advantage of men to veer from the path of justice, the likelihood is that they will commit injustices. A man may be willing to sit up all night for two or three nights to guard his home against a burglar whom he knows to be at large in the community, but after awhile he will get tired of doing this and will endeavor to have the burglar locked up instead, so that he can go to bed and have a good night's sleep. So it is with the public in regard to private individuals who are seeking a monopoly of the right to provide a certain public service. The public may, through utilities commissions, etc., watch them and regulate them for awhile, but ultimately it will be found a much better way to quit the task of watching lest some private individual should rob the community of its property, and, instead, arrange to serve itself and shut the door against those who may be tempted to secure unfair advantage over the public.'' [1]

[1] *Annals of the American Academy of Political and Social Science*, January, 1915, pp. 287–8.

2. *The Testimony of Actual Experience*

In theory, therefore, the private ownership of municipal utilities is wrong. Turning now to the field of actual experience, what do we find? Exactly what might be expected. Everywhere under private ownership we find: (1) excessive rates; (2) poor service; (3) bad labor conditions—low wages, long hours, unsatisfactory treatment, labor disturbances, and strikes; (4) overcapitalization as a means of covering up extortionate profits; (5) enormous private profits; (6) concentration of wealth and power in the hands of the few, and (7) the evil influence of the corporations in politics.

And this is the case against the private ownership of municipal utilities. We can only very briefly mention a few instances on these points, referring the reader to the sources where complete discussions may be found.

Excessive Rates—That the rates charged by private corporations are excessive and universally so is a matter of common knowledge. No better evidence could be asked than the interminable fight to get them reduced. The United States Government has its Interstate

Commerce Commission, a most elaborate organization whose chief duty is to protect the people of the nation from excessive rates; practically every State has its rate commission; every city council and state legislature is compelled to give a considerable portion of its time to the problems involved in the struggles of the people against the extortionate rates of private corporations owning and operating public utilities.

The charges of private waterworks are found to be 43 per cent. above those of public plants.[2] Richard T. Ely found that the usual charge for water by private companies in small towns in New York was $10 per year for a household, while the usual charge for a similar service when the plant was owned by the city was only $4 and the city made a profit at that.[3]

In 1889, private companies were charging from 75 cents to $16 per thousand feet for gas. The average was $2.16. The cost was not over $1. In other words, there was $1.16 profit on every thousand feet manufactured.

As long ago as 1900, it was shown that gas

[2] "City for the People," by Parsons, p. 20.
[3] *Idem.*, p. 22.

could be produced and delivered in Chicago at 65 cents per thousand feet and a reasonable profit made at that.[4] Chicago has paid $1 per thousand feet for years and is still paying 85 cents. The Hagenah investigation in 1911 showed that at the 85-cent rate for gas, the gas company was earning a clear profit of $5,034,-348.69 a year over and above every expense, including taxes, depreciation, and $143,941 of "sundry requirements," whatever that may be. This, the report showed, allowed an income of 7 per cent. on the total investment and a surplus on top of that of $1,424,051.69.[5] In Milwaukee it was shown by the reports of the state rate commission and on the basis of the sworn statements of the gas company itself that gas is actually produced and distributed at a total cost of 37½ cents per thousand; and, furthermore, that two-thirds of all gas the company sold had been bought at a cost of 19⅔ cents per thousand. The company charges 80 cents per thousand.[6]

[4] "City for the People," p. 24.

[5] Investigation of the People's Gas Light and Coke Company for the Chicago Council Committee on Gas, Oil and Electric Light, April 11, 1911.

[6] Annual Report of the Milwaukee Gas Light Company to the Wisconsin Railroad Rate Commission, June 30, 1910.

The average rates charged for electricity by private plants cannot be far from twice as much as those charged by municipal plants. Our study of electric light rates in 1914 shows that the rates in municipal plants range from 10 cents per kilowatt hour downward; in privately owned plants from 10 upward. We shall discuss these rates later. Professor Parsons stated in 1900 that the private electric lighting companies charged the people for commercial lights 50 to 100 per cent. more than municipal plants and their charges frequently average two, three, and sometimes four times the total cost of the service, operating expenses, interest, taxes, insurance, depreciation, and all.[7]

Private street railways charge as a usual thing a straight 5-cent fare. The facts indicate that one-half that amount could be charged and still a reasonable profit be made.

For further and exhaustive material on the matter of excessive rates, the reader should consult Frank Parsons', "The City for the People," chapter I, pp. 19–33. We shall return to it in a subsequent section.

Poor Service—Perhaps the most serious ob-

[7] "City for the People," p. 24.

jection in this respect is found in connection with the street car service. The overcrowding of street cars in all large cities and especially at all rush hours, due to inadequate service, is simply outrageous. However, there are other features of the street-car service that are inferior—heating is inadequate in many cities, ventilation is never what it should be, and the cleaning of cars is so neglected as to become in many cases an actual menace to the public health.

Gas is poor in quality, water is not properly purified, telephone service is inadequate and inconvenient, and in all the utilities there is lack of the proper extension and improvement of the service such as our rapidly developing city populations require.

Bad Labor Conditions—As we have intimated above, the demand of a private concern is for profits, and every demand of labor if granted cuts in on profits. Therefore the inevitable tendency of private ownership is to force down labor conditions. Wages are kept as low as possible, hours are kept as long as possible, and improved conditions of labor are neglected. As a result labor is restless under private ownership. Labor troubles arise, strikes and even

riots occur with all the attendant violence and injury.

This has been one of the most constant and serious counts against private ownership everywhere—its ill treatment of labor and the resulting labor troubles. In every account of the movement for municipal ownership in Europe that we have seen this has been given as one of the ever-present and decisive reasons for the change. The municipal ownership of railways in Glasgow in 1894, which was really the beginning of the great municipal ownership movement in England, came as a result of a long controversy between the workers and the company, in which the public felt that the company was in the wrong.[8]

In this country we have had our unhappy experiences with the way private corporations have treated their employees. The strike of the employees of the Big Consolidated street railways in Cleveland, the Brooklyn street railways strike in 1895, which required all of the police and 7000 soldiers to quell, and the Philadelphia strike of the same year are a few of the more

[8] See "European Cities at Work," by Frederic C. Howe, p. 334 ff.

desperate struggles resulting from the vicious treatment of the employees of these private companies.

As illustrating the spirit and temper of the private companies toward their employees, take the matter of the struggle for vestibules to protect the motormen from the fierce winter winds and the inclemencies of the weather. All street cars now have these vestibules. But they were installed only after many a long year of struggle and hardships on the part of the workers. "The resistance of most of the companies to this humane requirement till forced by law to adopt it, their persistent refusal to arbitrate or consider grievances, their arbitrary discharges and burdensome regulations, and their efforts to crush the unions are strong indications of their attitude toward employees, who are no more to them than so many cogs in the machinery of their power-houses."[9]

"These strikes that blaze up now and then show us the real condition of things" in the industrial world under private ownership.

Overcapitalization and Other Financial Frauds—In order to justify their extortions

[9] "City for the People," by Frank Parsons, p. 99.

and make it appear that their profits are not so great as they really are, private corporations resort to various devices to make their capital appear greater than it is. This is what is known as overcapitalization.

"For gas plants in large places," says Parsons,[10] "$3 per thousand feet output is a fair capitalization, $4 being about the limit. Yet in many States the average gas capitalization rises to $8 or $10 per thousand." He then recounts cases of capitalization at $17,000,000 on an actual investment of $4,640,000,[11] of a capitalization of $42 per thousand feet of output, or ten times the fair capitalization.[12] He states at that time (1901) the three leading street railways systems of Chicago were capitalized at $130,000 a mile and could be duplicated for $60,000 a mile; while one of the New York railways he found capitalized at twenty-three times its real value.[13]

Delos F. Wilcox[14] shows that in 1897 the street railway companies of Philadelphia were

[10] "City for the People," p. 43.
[11] P. 44.
[12] P. 45.
[13] P. 55.
[14] "Municipal Franchises," vol. II, p. 203.

paying interest on a capitalization of $21,000,000 in a system that had cost to construct and equip only $6,830,425.

This whole scheme of overcapitalization and how it works to cover up extortion is well explained by Edward W. Bemis, who is a member of the advisory board of the Valuation Department of the Interstate Commerce Commission and a member of the Board of Supervising Engineers of the Chicago traction system, in his address at the mayor's conference above referred to. He says:

"Deprived by our courts of the right to earn on franchise values, our utilities are now everywhere making stupendous efforts to establish before all regulating bodies that the cost of replacement to-day of the existing property should be the only matter considered, to the entire exclusion of the actual investment or cost of the property. Does the utility occupy, for example, a considerable amount of land which becomes more valuable for sale from year to year although not for public utility purposes? Then the utility demands the right to raise the price of its product or service to keep pace with the increasing value of its land. Has the utility

laid mains and conduits in advance of city paving? It now demands the right to increase its charges above what they would otherwise need to be, in order to earn on the cost of cutting through the paving, if an imaginary new plant were now to seek to duplicate these mains and conduits in their present location. Has the price of labor and materials risen? Then up must go the charges for the commodity, even though the buildings and plant were built before the rise in prices. Has the utility a large and profitable business which it obtained through the growth of the community and through canvassing and advertising, properly charged at the time to operating expenses and paid for by the consumers or subscribers? The utility now demands the right to earn, not on the actual cost properly chargeable to capital that was secured to develop this income, but on the cost of duplicating it to-day, in a so-called hypothetical or comparative plant.

"The number of unearned increments which can thus be claimed and, alas!—often secured, by a municipal monopoly in a rate case is enough to make Henry George's ideas of the unearned

increment of land alone look small indeed." [15]

Furthermore, this evil of overcapitalization seems to be increasing, for according to evidence submitted by Allan Benson in the June number of *Pearson's,* 1914, the capitalization of the street railroads of the United States, in 1890, was $98,000 a mile. That capitalization has steadily increased until to-day it is $118,395 per mile. "In New York city, the Third Avenue railroad has a capitalization outstanding in excess of $1,700,000 a mile. Some of the very best steam railroads have been built for $50,000 a mile and the Seattle municipal railroad, including paving and special work (not stock jobbing), cost only $58,000 a mile." [16]

But even more serious than overcapitalization are the frauds practiced by the private corporations in the manipulation of the finances of the public utilities. These processes are mysterious and mystifying to the ordinary individual and it is by no means easy to discover and describe them. Charles Edward Russell has perhaps best succeeded. He tells how Mr. Charles

[15] *Annals of the American Academy of Political and Social Science,* January, 1915, pp. 66 and 67.

[16] "For the Strap Hanger," *Pearson's* for June, 1914, p. 682.

T. Yerkes, starting with a capital of $20,000, which was said to have been borrowed, bought a dilapidated street railroad on the north side of Chicago and immediately reorganized and capitalized it in such a way as to repay his $20,000 loan; how he then "issued more securities, bought more roads, milked them with construction company and other devices, and eventually, piling one corporation upon another and one 'reorganization' upon another, emerged with the Union Traction Company of Chicago, embracing all the lines of the city except those upon the south side. As a concrete illustration of his methods and their results, I may say that the Union Traction Company was capitalized at $120,000,000, and in the height of its prosperity it was estimated by an expert examiner to be worth as a going concern $16,000,000." [17] By these methods Mr. Yerkes succeeded in accumulating $40,000,000 of net profits out of the street railway system of Chicago in fifteen years.

Similarly in Milwaukee, a single transaction in connection with the street railways negotiated by Henry C. Payne, afterward Postmaster General of the United States, netted the ma-

[17] "Lawless Wealth," by Charles Edward Russell, pp. 57–58.

nipulators $1,750,000, for which the people of that city received not the slightest return of any kind whatsoever.[18] In New York city, according to the New York *World,* $19,000,000 of clear profits, perhaps loot would be a better term to use, were extorted from the street car system by the manipulations of the high financiers.

And these are but instances of what has been the usual and customary thing in the manipulation and financial buccaneering that has gone on in connection with the private ownership of the great utilities in our cities.

Enormous Private Profits—Much of the shortcomings and some of the burdens of the private operation of municipal utilities might be overlooked if it were not for the knowledge that the companies as a rule are making enormous profits. In the private operation of water plants profits have been shown to range from 20 to 40 per cent. on the capital invested. In Chicago, profits on gas were 15 per cent. and in some cases were as high as 25 and even 30 per cent. In the Bay State Gas Company investigation, profits were shown to be 60 per cent., and

[18] "Lawless Wealth," by Charles Edward Russell, pp. 79–81.

in the Cleveland case 144 per cent. cash profit a year.

In electric lighting, profits have gone as high as 50 per cent. In street railways the lease terms of the principal lines of the Philadelphia Traction System provided for net returns as paid in capital stock as follows:

Enormous Profits in Street Car Lines[19]

Name of Company	*Annual Dividend on Paid-in Capital Stock*
Continental	20.7 per cent.
Philadelphia City	31.5 per cent.
Philadelphia and Gray's Ferry	16.0 per cent.
Ridge Avenue	42.8 per cent.
Thirteen and Fifteenth Streets	65.6 per cent.
Union	31.6 per cent.
West Philadelphia	20.0 per cent.

In another place we have shown the tremendous overcapitalization of the electric railways. Yet on the basis of overcapitalization the United States Census finds that the railways made a net profit of over 10 per cent.[20] This would mean that their net profit must have been not far from 20 per cent. on a fair valuation of their property.

Concentration of Wealth and Power—The

[19] "City for the People," by Frank Parsons, p. 36.

[20] Bulletin No. 124, United States Census, 1912, p. 62.

logical and inevitable result of the foregoing features of private ownership of municipal utilities is, first of all, that the ownership and control of these utilities are passing rapidly into fewer and fewer hands; and, secondly, that the wealth and power derived from their operations are steadily and rapidly concentrating in the hands of this constantly diminishing number of owners.

Mr. Benson, in his article in *Pearson's Magazine* for June, 1914, shows that this "concentration of ownership has already gone to such an extent in street railway ownership that twenty men now own or control more than one-fourth of all our electric roads." "Give them a few years more," he says, "and all of the electric roads, street and otherwise, will be controlled by them."[21]

The terrific concentration of wealth and power through the private ownership of municipal public utilities is well illustrated in Chicago. Here the capitalization of the public utilities companies totals over $527,000,000, as follows:

[21] Pp. 680–681.

Capitalization of Public Utilities Companies

Name of Company	*Stocks*	*Bonds*	*Totals*
Chicago Utilities Co.	$49,269,000	$9,999,900	$59,268,900
Chicago Telephone Co....	27,000,000	19,004,000	46,004,000
Commonwealth Edison Co.	45,838,936	32,000,000	77,838,936
People's Gas Light and Coke Co.	38,500,000	46,762,000	85,262,000
Chicago Railways Co.....	100,000	87,481,465	87,581,465
Chicago City Railway Co.	18,000,000	28,950,000	46,950,000
Calumet and South Chicago Ry. Co.	10,000,000	4,825,000	14,825,000
Chicago and Western Railway Co.	72,000	74,000	146,000
Chicago and Interurban Traction Co.	1,000,000	1,350,000	2,350,000
Chicago and Oak Park Elevated Co.	10,000,000	5,077,062	15,077,062
South Side Elevated Railway Co.	10,231,400	10,327,000	20,558,400
N. W. Elevated Railway Co.	9,891,500	29,552,000	39,443,500
Met. Elevated Railway Co.	16,172,000	15,498,000	31,670,000
Total			$527,975,263

This is $200,000,000 more than the total capitalization of the public utilities, exclusive of railroads, in all the rest of the State of Illinois.

And all this tremendous accumulation of capital is controlled by a small group of capitalists and the concentration is going forward at a rapid rate. Speaking of this powerful concentration, Charles E. Merriam, professor of political science at the University of Chicago and member of the city council, has said:

"Of the companies operating in the city, the

People's Gas, Light and Coke Company is owned by the Commonwealth Company, and the elevated railroads are owned by the Commonwealth Edison Company. Interlocking directorates among the other corporations, as shown by recent reports of the public service department upon my city council order, are so close as to keep the ownership of this half-billion-dollar investment in a very few hands. The process of concentration is proceeding very rapidly and it is only a matter of a short time until we will be faced by a single company controlling all the public utilities of the city. This company will have larger revenues than the city government, a greater debt than the city, employ a larger number of men than the municipality, and transact a volume and variety of business rivaling that of the municipal corporation." [22]

This rapid concentration and ownership that has been going on in the field of municipal utilities is shown in another way, viz., in the rapid development during the last fifteen years of the notorious "holding companies." These "holding companies" are simply devices by which the

[22] *Annals of the American Academy of Political and Social Science*, January, 1915, p. 172.

process of centralizing the ownership and control of the utilities may be greatly hastened while at the same time more or less concealing the fact from the public view. That may not be a scientific definition of a holding company, but I believe it describes the essential facts.

Now the first effect of the operations of these "holding companies" seems to be that the process of overcapitalization and the plunder of the properties is greatly facilitated. Mr. Russell has investigated this matter and shows how it works. In one case in New York City $19,500,000 mysteriously disappeared as a result of one of the manipulations; in another case $51,549,490.54 had been taken out of one of the street car companies (the Metropolitan) by those inside through these devious methods of reorganization for which no return can be shown.[23]

Mr. J. P. Goodrich, director of the National City Bank of Indianapolis, in his address before the conference of mayors in Philadelphia, above referred to, in discussing this subject of the holding companies, declared that this tendency

[23] "Lawless Wealth," by Charles Edward Russell, chapters xv and xvi.

to overcapitalize the properties is a constant temptation of the scheme. He cites a number of striking instances. In one case the capitalization is doubled; in another $1,500,000 of fictitious value is added. And he says: "I am somewhat familiar with the effect of holding-company ownership and control in Indiana and the general rule has been largely to increase the volume of the securities of the various properties without any compensating benefit in the way of increased operating efficiency, reduced rates, or improved service, except where small cities and towns have been connected with a central station, a practice rapidly increasing, whether the utilities are controlled by a holding company or operated independently." [24]

And besides helping to facilitate the process of overcapitalization and to conceal exploitation, the holding company also, and by that very means, facilitates the concentration of ownership and control. "Experience has shown that a very small minority concentrated in the hands of a few insiders can control the conduct of any large corporation, if the stock ownership is

[24] *Annals of the American Academy of Political and Social Science,* p. 331.

widely distributed. The larger the corporation and the more widely the securities are scattered, the more easily can this be accomplished."[52] If now a "holding company" is organized, whose shares are also widely distributed, a still further concentration of controlling power is accomplished. For in this way it is only necessary for those who wish to control the situation to get hold of a sufficient amount of the stock of the holding company to control that and then have the "holding company" buy only a majority of the stock of a subsidiary company. All the rest of the stock may safely be distributed to the public—and the more widely the better for the purpose of those in control.

Thus the "holding company" hastens in many ways the concentration of the ownership and control of public utilities.

The extent to which the development of the holding companies has gone in the last fifteen years is astounding. In his address at the mayors' conference at Philadelphia, previously adverted to, Mr. Charles F. Mathewson, counsel for the Consolidated Gas Company of New

[25] *Annals of the American Academy of Political and Social Science,* January, 1915, p. 331.

York, in explaining the advantages of the "holding company," brought out the following facts:

"Of the total capital, approximately $4,000,000,000, invested in the street railways business in this country, 81.4 per cent. is organized into or affiliated with holding companies.

"Of the total $2,000,000,000 capital in the electric light and power business, 82.5 per cent. is organized into or affiliated with holding companies.

"Of the total $1,300,000,000 in the gas business, over 66 per cent. is organized into or affiliated with holding companies.

"So that taking the total for the gas, electric, and traction business in the United States, approximately $7,500,000,000, about $5,900,000,000 or 78.5 per cent. is now organized into or affiliated with about 140 independent holding companies whose securities are to-day known and bought throughout this country and Europe." [26]

Mr. J. P. Goodrich, in discussing the same question, declared that if the same rate of concentration that prevails at present goes on, the

[26] *Annals of the American Academy of Political and Social Science*, January, 1915, pp. 321–322.

holding companies will soon have control of securities that will exceed the total amount now outstanding.

Thus the "holding company" seems to be the latest and most effective scheme devised by high finance to facilitate the plunder of the people through the ownership and control of public utilities. At any rate, the scheme certainly does facilitate and hasten concentration in the ownership and control of public utilities, which constitutes the very danger that everywhere threatens us under private ownership.

Evil Influences in Politics—The final count we make in the case against the private ownership of public utilities in the municipality is the fact that it constitutes everywhere an evil influence in politics. This is an old story, and not much need here be said on a matter so well and generally understood.

The testimony of James Bryce in his "American Commonwealth," the investigation of Lincoln Steffens, published in his "Shame of the Cities," of Henry D. Lloyd, Charles Edward Russell, Judge Lindsey of Denver, and many others, leave no doubt upon this point. Everywhere and inevitably the private corporation is

in politics and its influence is invariably bad and harmful.

Governor Pingree of Michigan told the story of the corruption in Detroit. The street car company "literally owned the council body and soul"; it would pay $3000 for a member and made an actual offer of $75,000 to buy the mayor himself.[27] Pingree himself was offered a trip around the world by the agent of a certain company if he would only not veto a pending franchise.[28] In New York city as high as $20,000 an alderman was paid by the private companies in bribes to secure the passage of certain franchises.[29]

Professor Bemis, in his "Municipal Monopolies," relates the following:

"The governor of one of our large States was offered the chance to buy 20,000 shares of stock without any cash payment down if he would sign a certain franchise measure. He was assured and believed that his signature would probably raise the value of those shares from $1,400,000 to $2,000,000. Although he did not

[27] "Facts and Opinions," by Pingree, pp. 30–31.
[28] "City for the People," by Parsons, p. 71.
[29] *Idem.*, p. 71.

sign the bill, a similar one was signed by his successor, and was attended with an even greater rise of value of the securities."[30]

"I am satisfied that the franchise corporation is more largely responsible for the corruption of the American city than any other agency," says Frederic C. Howe.[31]

Newton D. Baker, former mayor of Cleveland, Ohio, says: "I have been for thirteen years combating public utilities in the city of Cleveland. Every campaign in those thirteen years, no matter how remote its issues might be from public-utilities questions, found the forces of the public utilities very actively engaged in politics." . . . All sincere and fair observers put their fingers upon the public-utilities corporations in the city as at least the greatest contributing cause of the corruption of the American city. . . . Practically every state legislature in this country and practically every city council in this country was either corrupted or under very grave suspicion."[32]

[30] P. 657.

[31] *Annals of the American Academy of Political and Social Science*, January, 1915, p. 207.

[32] *Idem.*, pp. 193, 189 and 190.

Speaking of the operations of Mr. Yerkes in Chicago, Carter H. Harrison, then mayor of Chicago and acting as presiding officer of the conference of mayors at Philadelphia, said:

"Philadelphia was considerate enough at one time to loan to Chicago Charles T. Yerkes, until we made him pack his baggage and move to London. I have seen him seated in the great corridor outside the doors of the House of Representatives of the State of Illinois sending for his lieutenants, leaders of both parties among the legislators, giving his orders, outlining his strategy like the veriest war lord on the field of battle. I have heard state legislators in public places recount as the joke of all jokes how a country representative accepted $300 for his vote when $3000 was his allotted portion. These were the days of rough and raw work, yet these days are removed from the present by the brief space of sixteen years only."[33]

Even as conservative a writer as Professor Richard T. Ely declares that the corporations are as a general rule in politics, and that in the very nature of the case it must be so. And he

[33] *Annals of the American Academy of Political and Social Science*, p. 56.

very frankly illustrates the situation by a personal allusion. "When the writer," he said, "had invested what was for him a considerable sum in gas stock, he tried to answer for himself this question: As an owner of gas stock, exactly what kind of a municipal government do I want? The government of the city in which was located the gasworks in which the writer was interested was a stench in the nostrils of reformers throughout the country; but he could not persuade himself that as an owner of gas stock any very considerable change was for his interest. The city government, as it then was, was a 'safe' one, and the result of a change could not be foretold."[34] In this article Professor Ely recalls the case of Jacob Sharp, who secured a franchise in New York city through wholesale corruption and was sent to the penitentiary. And in this connection mention might be made of similar experiences in San Francisco at the other extreme of the country.

So the statement made by Lincoln Steffens in

[34] "Municipal Ownership of Natural Monopolies in *North American Review*, March, 1901, quoted in "Debaters' Handbook on Municipal Ownership," p. 101.

his "The Struggle for Self-Government" is none too strong. "Our political corruption is a system, a regularly established custom of the country, by which our political leaders are hired by bribery, by the license to loot and by quiet moral support to conduct the government of the city, State and nation, not for the common good but for the special interests of private business."

This then is the case against private ownership: First of all, it is wrong in theory and purpose. Secondly, it works badly in practice. Rates are excessive, service is poor, labor conditions are unsatisfactory, the companies are overcapitalized, private profits are enormous, it is swiftly concentrating the ownership and thereby the wealth and power that result therefrom into the hands of a few, and meanwhile it is corrupting and vitiating our civic life. And every count is sustained by unquestionable evidence and the practical experience of cities all over the world and for a period of nearly half a century.

III

THE FAILURE OF REGULATION

The private ownership and operation of public utilities having been proved so universally unsatisfactory, it would seem that municipal ownership would follow as a matter of course. But the friends of private ownership, and especially the corporations themselves, have another alternative—regulation.

These people argue as follows: Even if we concede that the system of private ownership has not always given us the best of service and results that are entirely satisfactory, still we need not on that account overthrow the whole system. All that is needed is a proper system of regulation and control by the public authorities. Therefore let us have a strong commission in each city, or better, in each State, whose duty it shall be to have charge over all public utilities, hear both sides in every case of complaint, and render decisions as to the proper rates, service, etc.

This is the famous regulation remedy. Let us examine its claims.

And let us note first of all that this scheme of regulation encounters exactly the same fundamental difficulty that the plan of private ownership does, viz., the conflict of interest between the few who own the utilities and the public that must use them. So that the same interminable struggle, the same inevitable fight between the people who want home rule, better service, and better treatment of labor and the rest, and the corporations who do not want and cannot afford to allow these things, must go on just the same. Only there will be this difference: there is one more element, the commission introduced to complicate matters and therefore to lessen the likelihood of a speedy and fair settlement in the interests of the people.

Also in passing we may remark that the suspicion which some of us had from the beginning that the whole scheme would help the corporations in their careers of plunder rather than protect the people seems now to have been growing into a settled conviction in every direction. We read, for example, the following from Delos F. Wilcox, in his address at the con-

ference of American mayors held at Philadelphia, November 12–14, 1914: "The principle of state regulation by permanent commissions was put forward in this country a few years ago as a statesmanlike method of protecting the people from the exactions of the public service corporations, while at the same time giving the corporations a fair deal. We now find that all the corporations have been converted to the idea of regulation. They not only welcome it but insist upon having it. They are so enthusiastic over it that they help write the laws and appoint the commissioners."[1] And Edward W. Bemis, at the same conference, pointed out that the inauguration of the regulation movement was favorable to the corporations inasmuch as it operated to check the home rule movement for cities and especially to sidetrack the municipal ownership movement.[2] Daniel W. Hoan, now mayor of Milwaukee, who as its city attorney represented it in all its legal battles with the Wisconsin Railroad Rate Commission for years in the struggle for relief for the people

[1] *Annals of the American Academy of Political and Social Science*, January, 1915, p. 8.

[2] *Idem.*, p. 64.

under the system of regulation in Wisconsin, declares: "Regulation legislation solves the public service corporation problem completely in favor of the capitalist. I venture the statement, without fear of contradiction, that no shrewder piece of political humbuggery and downright fraud has ever been placed upon the statute books. It is supposed to be legislation for the people. In fact, it is legislation for the moneyed oligarchy."[3]

Coming now a little closer to this question of regulation, we find that as a matter of fact regulation has been tried in foreign countries, found a failure, and given up years ago. We find, moreover, that it has been tried in this country in one form or another for over thirty-five years, and has never yet succeeded in solving any one of the problems involved in the operation of public utilities.

1. *The Failure of Regulation in Foreign Countries*

Long before the idea of "regulation" was brought forward by our American reformers as the "statesmanlike method of protecting our

[3] "The Failure of Regulation," by Daniel W. Hoan, p. 62.

people from the exactions of the public service corporations," it had been tried by the people in foreign countries. They found out that regulation was not a protection to the people and that it was no solution of the problem involved. And they proceeded at once to the real solution which they have found everywhere in public ownership.

England, for example, started out in 1842 trying to regulate her railroads. Certain supervisory and regulative powers were conferred upon the board of trade. From that time forward, England has tried every possible form of regulation and after more than seventy years, the situation is just as unsatisfactory as ever, even more so.[4] In fact, matters were so bad in this respect that at the outbreak of the present war England finally applied the real remedy for the railway problem by nationalizing the railways.

In Switzerland for nearly a half century regulation was tried. First it was tried by the cantons which correspond to our States. It did not work. So in 1872 the Federal Government took it up and for twenty-five years tried that form

[4] See "American Railway Problems," by Vrooman, p. 67.

of regulation. Federal regulation may have been some better than state regulation, but it did not satisfy the Swiss people. In 1897 Switzerland nationalized the roads.

Italy tried both private and public ownership and operation of railroads. She also tried a combination of public and private ownership, owning some of the roads and leasing them to private companies. In all cases "regulation" was the method relied upon to "protect" the people. The system proved entirely unsatisfactory and in 1905 Italy nationalized her roads.

France, Germany—in fact, practically all of the European nations, tried regulation as a means of protecting themselves from the evils of private ownership and one after the other has given it up as a bad job and gone over to public ownership as the only solution.[5]

And these countries, having tried the theory of regulation on their railroads and finding that it did not work, were not so foolish as to try to apply the system that has proved unsatisfactory to the whole of their public utility problems. They proceeded directly to municipal ownership

[5] See "American Railway Problems," by Vrooman.

as the solution of the problem locally. We have shown this in a previous section.

2. *The Failure of Regulation in the United States*

Since 1878, or for over thirty-five years now, the United States Government has been trying to solve its railroad problems by this method of regulation. It would seem unnecessary to argue that our problem is not solved, especially in view of the recent controversies through which the roads have again succeeded in raising their rates, and the still more recent labor troubles that threatened to precipitate a general strike. This method of federal regulation has proved so unsatisfactory that every State has felt called upon to appoint and maintain a commission to "protect itself from the corporations."

And on top of all this, both the state legislatures and the courts have been called into action as allies in this merry war of regulation —and still the plan does not work out satisfactorily.

About ten years ago, in spite of the lesson from foreign lands and in spite of the unsatisfactory working of the theory in the case of our

interstate utilities, the idea of extending the theory of regulation so as to include all utilities, municipal as well as state and national, came into vogue. New York State adopted the idea, and created a state commission for this purpose. Wisconsin followed the example. Other States have followed, until we now have twenty-six States and the District of Columbia, with commissions for the regulation of public utilities.

So we have had this theory of regulation on trial now for a great many years and in every possible form.

And what are the results?

Not a single problem has been solved; not a single evil of private ownership has been removed. Rates have kept on going up as before; labor has been just as badly treated; the dividends of the public utility corporations have gone right on piling up; the influence of the corporations in politics continues; the concentration of wealth goes on at the same rapid rate; service is poor; labor troubles abound, and municipal ownership, which is the only real solution, has been delayed in many cases for years to come. In fact, there is every reason to be-

lieve that, from the standpoint of the general welfare, things are even worse after our years of experience with regulation than they were before.

Evidence of these facts is now being accumulated in every direction. In Minnesota, in Massachusetts, in Wisconsin, and in the State of Washington separate and independent investigations have been made of the matter and all have come to the same conclusion.

In Minnesota a nonpartisan Home Rule League, organized by citizens of that State, has made a "comprehensive investigation of the results of state regulation in the United States." They made a special study of the operation of the law in the State of Wisconsin, because, as they say, "it is in that State that the system has been given its longest and fairest trial." The results of their investigation are published in a pamphlet, "Regulation of Public Utilities in Wisconsin," and it confirms every contention made above as to the utter futility and failure of regulation.

This investigation covers 134 cases and includes all of the local public-utility cases involving rate and service issues from the time that

the utility regulation law went into effect in 1907 down to March, 1912. The league summarizes the results and conclusions of this report as follows:

The commission has not given relief to the public in the way of lower rates and better service.

It has shown a strong leaning toward the interests of the utilities as against public interest.

It has been an obstacle in the way of municipal ownership.

It has compelled the cities in many cases to go to large expense to defend their interests.

It has used the indeterminate permit to protect inefficient private electric utilities in their local monopoly.

It has discouraged the cause of conservation of natural resources.

It has failed to eliminate the public utilities from local politics.

It has discriminated heavily against the general public and in favor of the privileged few.[6]

The results of this study of the specific cases that went before the regulating commission in Wisconsin may be presented in the following table:

[6] "Regulation of Public Utilities in Wisconsin," Minnesota Home Rule League, 720 New York Life Building, Minneapolis.

How Regulation Works in Wisconsin

What the People Got	*What the Corporations Got*
Successful in 7 per cent. of cases brought before commission	Successful in 96 per cent. of cases brought before commission
Reduction of rates in 3 cases.	Increase in rates in 52 cases
"Relief" in better service in 5 out of 10 cases	"Relief" from improved service in 9 out of 10 cases
Not a single reduction in telephone rates	Increased telephone rates in 33 out of 34 cases

Our conclusions are further supported by a careful and exhaustive study of the subject made by Mr. Hoan, now mayor of Milwaukee. The results of Mr. Hoan's efforts to get some relief for the people of the city of Milwaukee and the conclusions he reached from his experience and study of the subject of regulation, are set forth in a pamphlet, "The Failure of Regulation." From these and other sources at our command we draw our conclusions as to the futility of regulation as a method of solving the public utility problem for the city.

Under Regulation Rates Have Been Increased Rather Than Decreased—This is notoriously the case on the steam railroads.[7] But it is just as true of municipal utilities. Hoan, in his

[7] See author's pamphlet on "Public Ownership of Railways," p. 21, which, by the way, was written before the recent increase in rates was granted by the Interstate Commerce Commission.

pamphlet above referred to, cites the case of Manitowoc, Wisconsin, where the state commission actually raised the rates charged for gas from $1 per thousand to $1.25 per thousand. And this is not an isolated case. There have been many others. Up to 1912 the commission had ordered rates raised for seven private water, gas, electric, and street railways, and twenty private telephone companies.

That is the way "regulation" works out in Wisconsin. Professor J. Allen Smith of the University of Washington,[8] tells the story of a fight with the theory of regulation in that State with results about the same. In Massachusetts, the city attorney of Haverhill declared that after twelve years of regulation and an interminable fight on the part of the city all that time, the price of gas was 15 per cent. higher than when the struggle began.[9]

Regulation Has Effectually Blocked Municipal Ownership—We have already referred to Mr. Bemis' testimony to this effect.[10] Mr. Hoan shows that the Wisconsin law, while it

[8] *National Municipal Review*, January, 1914, pp. 41–43.

[9] "Failure of Regulation," by Daniel W. Hoan, pp. 52–53.

[10] *Annals of the American Academy of Political and Social Science*, pp. 63–64.

contained provisions that ostensibly favored municipal ownership, was so loaded that it favored private ownership and actually operated to prevent public ownership.[11] He cites the specific instances of Chilton, La Crosse, and Kenosha in Wisconsin, showing just how the law works out.

Under Regulation the Incomes and Dividends of the Private Corporations Have Increased—It has been shown that the rate of the dividends of the railroads has increased from 5⅜ per cent. to 7⅗ per cent. in ten years; that the average freight rates have increased, and that the total dividends have increased.[12] Clifford Thorne showed before the Interstate Commerce Commission in its hearings in the summer of 1914 that the net revenues, rate of dividends, and total net earnings were greater in the years 1910–13, inclusive, than ever before.[13]

Regulation of municipal utilities has worked the same way.

By its order in fixing the gas rates in the Milwaukee Gas Light Company of approxi-

[11] "Failure of Regulation," by Daniel W. Hoan, pp. 20–27.

[12] "Public Ownership of Railways," by Carl D. Thompson, pp. 21–23.

[13] *Pearson's Magazine*, July, 1914.

mately 10 per cent. per annum, case, the railroad commission allowed a profit to be made on the value of the plant, not to speak of a depreciation fund approaching 2 per cent. The United States Supreme Court has decided that 6 per cent. net profit is sufficient return on the investment of a gas plant in a large city. The Wisconsin commission, however, thought it would be more "progressive" to allow 10 per cent.

The application of the ruling in this case enables the corporation to draw a dividend of 16 per cent. and to give it a clear profit of $1,000,000 a year.

Mr. Hoan shows that under the "Wisconsin idea" of regulation the earnings of private corporations operating public utilities in the State were as follows: "The North Milwaukee Light and Power Company, $1982.29, or 15 per cent.; the Burlington Electric Light and Power Company, $6565.62, or 30 per cent.; the Watertown Gas and Electric Company, $18,216.45, or 20 per cent.; the Wisconsin Gas and Electric Company, $94,192.52, or 14 per cent.; Milwaukee Light, Heat and Traction Company, $538,824.29, or 43 per cent.; and the Milwaukee Electric Rail-

way and Light Company, $828,277.54, or 14 per cent.'' [14] In Milwaukee, where the most strenuous efforts were made to make the system effective, the people are ''paying to the stock and bondholders of the Milwaukee Electric Railway and Light Company $1,402,237.54 dividends and interest on a plant worth twelve million dollars. This would be a 12 per cent. return on the valuation. It also appears from this that the company under Wisconsin regulation is exacting from each man, woman, and child in Milwaukee (400,000) about $3.50 in interest and dividends alone, after paying all its expenses, in a single year.'' [15]

In Haverhill, Massachusetts, the dividends of the gas companies steadily increased from 10 per cent. in 1896, to 30 per cent. in 1900.[16]

Regulation Favors the Large Consumers—The city of Milwaukee owns its water system. It charges a uniform rate for water, with no special rate for the *Big Fellow*.

In May, 1909, twenty-five big manufacturers filed a petition with the commission asking for

[14] "Failure of Regulation," by Daniel W. Hoan, p. 65.
[15] *Idem.*, pp. 66–67.
[16] *Idem.*, p. 53.

special rates. In October, 1913, the commission issued a tentative report, providing that the old system of uniform water rates to all should be rescinded and new rates substituted therefor, favoring all those who used over one thousand gallons of water every three months. Thus again, the fellow who could buy the largest amount of the product, to be used in most instances as a raw material for profits, was to be benefited at the expense of the small consumers, who consumed solely for use.

And this also is a typical case.

It Helps to Keep Labor in Subjection—In the city of Superior, Wisconsin, in 1912, the street railway company had been dismissing its employees for joining a union, etc. A strike was called. The men offered to go back to work upon recognition by the company of their right to organize. The company refused to grant the demand. The service was at a standstill. An action was instituted in court to compel the company to supply service. Success in this move would have meant victory for the men. The company appealed to the regulation law which provides that all questions of adequate service must be determined by the railroad commission

before the same could be taken into the courts. The delay of the courts was bad enough, but to think of first going to the commission was despairing. The lower court refused to hold that the law could be used in such cases. But the company appealed to the Supreme Court, where its contention was sustained.

Endless Delays—In the very nature of the case, the system of regulation breaks down. When we consider the hundreds and thousands of public utility corporations operating in the United States, with all the interminable and complicated problems involved, the idea that any commission of men, whether state, national or municipal, can successfully control them, seems quite unpractical.

In the State of Wisconsin, for example, the rate commission is trying to regulate 43 railroads, 6 express companies, several telegraph companies, all of which are state wide. And the same commission—three men and a few expert assistants—are trying to regulate, in addition to all the state utilities, 28 municipal street railway companies, 244 electric utilities, 54 gas companies, 156 water companies, 666 tele-

phone companies, and 16 heating plants—a total of 1164 public utilities.[17]

The mere listing of these utilities ought to show the utter impracticability of the plan. The endless task means endless delays that make the system impossible.

We shall cite one instance of the way it works out in practice.

On July 11, 1907, the city of Milwaukee appealed to the commission for relief from intolerable conditions and a reduction of fares on the street car lines. *It took five years, or until September, 1912, to get a decision out of the commission.* The decision gave no relief as to the service *and only one extra fare for a dollar.* And even then the people did not get it.

The regulation law provides that the company if dissatisfied with any decision of the commission can appeal to the courts. The company was dissatisfied. It appealed. Another month's delay. The court, however, sustained the order. The company appealed again. The judgment of the court was stayed. Several more months' delay. The Supreme Court of

[17] "Failure of Regulation," by Daniel W. Hoan, pp. 75–76.

the State announced its decision on May 31, 1913. It again sustained the order of the commission and ordered the one little extra fare for a dollar given to the people of Milwaukee. The company secured a "writ of error" to the United States Supreme Court. And there at present, *seven years and a half after the case was first brought* to the commission, the matter rests.

Eight years, or more, to get one case through the mill of this great regulation process and secure for a city of 400,000 population one little 4-cent street car ticket, and the end is not yet.

At every essential point, therefore, the scheme of regulation breaks down. It fails to accomplish what the interests of the people demand shall be done.

IV

THE ADVANTAGES OF MUNICIPAL OWNERSHIP

Private ownership and operation of municipal utilities has proved unsatisfactory. Regulation does not meet the difficulties. But one thing remains—municipal ownership.

The experience of hundreds and even thousands of cities in this and other countries is now before us so that we may judge of its success. And we propose to present briefly the chief advantages that have been found to follow the establishment of municipal ownership.

But before presenting the specific advantages of municipal ownership, we wish to point out that the idea is sound in theory and purpose, thus meeting the very first difficulty everywhere encountered under private ownership. As we have pointed out before, the private ownership of a public utility involves an inherent inconsistency, an inevitable conflict of interests be-

tween those who own and those who use. The owners want profit, the people want service; the owners want dividends and profits, the people want fair wages and good labor conditions and reasonable rates. Hence the inevitable conflict of interests.

Now immediately upon the establishment of municipal ownership this conflict of interests disappears. The users then become the owners and a unity of interest is established. Thus municipal ownership gets rid at once of the one great difficulty, the inevitable and never-ending conflict that prevails under private ownership.

Now as to the specific advantages of municipal ownership.

1. *Advantages in the Organization and Operation*

A number of very decided advantages in favor of municipal ownership arise at the very outset.

City Can Borrow Money at a Lower Rate of Interest—For example, in launching a municipal enterprise, the public has an initial advantage in the fact that a city can borrow money

at a lower rate of interest than private individuals or corporations. The government has no trouble in borrowing money at 2 per cent. and 3 per cent., and the highest paid is 4 per cent. Cities do nearly as well. The average rate of interest paid by all cities in the United States on their total debt is 3 per cent.[1] Frank Parsons found in his investigation that cities were able to borrow money at from 2 to 4 per cent. less than private companies.[2]

A Public Plant Does Not Have to Pay Dividends on Watered Stock—We have shown to what extent the private companies are overcapitalized. Every dollar of overcapitalization is a burden upon the plant. Municipal ownership, by eliminating all watered stock and all overcapitalization, relieves the utility of that burden.

Under Complete Municipal Ownership no Interest nor Dividends at all Need be Paid—During the period that a city is accumulating the funds to pay for a plant that has been purchased or built, a city must pay interest on

[1] Bulletin No. 126, United States Census on Financial Statistics of Cities.

[2] "City for the People," p. 139.

the money borrowed, of course. But when the bonds are finally fully paid off and the plant is once owned, free of incumbrance, thenceforth the city has no interest to pay. It must provide for the depreciation of the plant and for all necessary expenses and it may allow a small profit which is turned over to the common funds, but it does not need to do so. A public utility as a general thing is conducted on the basis of cost of operation. The postal department is so conducted now.

In this way, under complete municipal ownership, the city and its people will be relieved of the entire burden of the interest and dividend charges which are now exacted under the system of private ownership.

Again, the cost of insurance is less under municipal ownership, for the city by carrying its own insurance escapes the excessive charges of the private insurance companies. The saving there has been estimated at about 2 per cent. on the investment, which made a difference of $2 a year per light in the cost of production.[3]

No Corruption Funds Under Municipal Ownership—The enormous sums of money that

[3] "City for the People," by Frank Parsons, p. 136.

have been paid, and whatever are yet being paid in any way to influence city councils and public officials to give franchises and other privileges to private utility companies—all that will be entirely avoided under municipal ownership. And all these expenses are paid by the people in the long run.

The Enormous Cost of "Regulation" will be Saved Under Municipal Ownership—New York State now has two commissions at work on the problem of the regulation of its public utilities, each costing over a million dollars a year. The Wisconsin commission costs $200,000 a year, to say nothing of the extra cost of the hearings and litigation involved. Illinois has a similar rate commission with its burden of expenses, to say nothing of the cost and the time and effort required in the fight to "regulate" the private corporations, and then, on top of all that, Chicago has a board of supervising engineers, which costs the city $233,235 a year and is supposed to perfect the system of regulation. Thus the people of Chicago must pay: first, the expenses of the operation of their street car lines with all the watered stock, juggled finance, political corruption, excessive

rates, and enormous profits, and the big salaries of the official managers and superintendents; then, in addition to that, they must pay also their share of the cost of a state commission in order that they may not be entirely consumed by the private companies. And then, as though all this were not enough, they have still to bear the expense of expert regulators of their own, one that costs them over $230,000 a year. All this burden of the cost of "regulation" would be saved under municipal ownership.

Besides these advantages in the organization and conduct of public utilities under municipal ownership, there are yet others of importance that would be secured in the actual operation of the plants. For example, under municipal ownership the whole question of competition, with its needless and expensive duplication, added cost and inconvenience, is settled. The big salaries which are so often paid under private operation are all out of proportion to the value of the service rendered and very much higher than is found necessary under municipal ownership. In Philadelphia, for example, the head of the municipal gas plant received $5500

per year, while the president of the private gas plant in Boston received $25,000 and the treasurer $22,000. These are only typical cases.[4]

Coördination of Public Utilities—And finally, municipal ownership enables a city to coördinate its utilities and thus secure great advantage in economy and efficiency of operation. For example, a waterworks plant may be combined with an electric light plant. A street car system should be combined with a light and power system and all be operated as a unit. A light plant should be combined with a power plant so that the same equipment could be used for the day load for power and the night load for light. In fact, under a proper system of municipal ownership all the utilities could be thus coordinated to great advantage.

And, as the system of municipal ownership developed, a league of coöperating cities could be found which would secure the advantages of coöperation and the coördination of public utilities, intercity and statewide in their extent.

[4] "City for the People," by Frank Parsons, p. 140.

2. *Advantages to the Public*

Among the advantages that would accrue to the general public through municipal ownership may be mentioned the following:

Lower Rates—Experience everywhere has put this matter beyond doubt. In England, for example, where municipal ownership is quite general and where the experience extends over a period of half a century, rates on street car service have been reduced to an average of 2.1 cents per ride, and in Scotland to 1.9 cents.

Moreover, while the average fare paid on all the 136 municipal street railways in England is 2.1 cents, the average fare paid on the 138 private companies is 2.48 cents. In Germany, similarly, the street car rates have been reduced to an average of 2½ cents per ride.[5]

Similarly with gas; the average charge in England by private companies is 66 cents per thousand feet. Municipal plants have reduced the average to 60 cents.[6]

Coming a little nearer home, Toronto has

[5] *Annals of the American Academy of Political and Social Science*, pp. 203, 204, 206.

[6] *Idem.*, p. 206.

succeeded in reducing the rates for electricity from 33⅓ to 40 per cent., as a result of her municipal plant,[7] while Winnipeg has brought down the price of electricity from 20 cents per kilowatt, which was charged by the private plant previous to municipal ownership, to 3 cents.[8]

In the United States similar results have been achieved. In Seattle, Washington, for example, a private company was charging 20 cents per k.w.h. in 1901. A municipal plant has reduced the rates to 6 cents and even lower.[9]

Private companies charged Chicago $137.50 per arc light per year; the city was able to supply a similar service for $83.67. The following table shows rates charged for electricity under private and public ownership:

Private		*Public*	
Chicago	$.10	Cleveland	$.03
Brooklyn	.12	Pasadena	.05
Milwaukee	.11	Fort Wayne	.03@ .08
Philadelphia	.10	Hamilton	.02¼@ .08
Pittsburg	.10	Seattle	.06
Providence	.10@ .12	Tacoma	.06
New York	.10@ .15	Jacksonville	.07
Average	.10 3-7	Average	.4 4-7

[7] *Annals of the American Academy of Political and Social Science*, pp. 248–9.

[8] *Idem.*, p. 77.

[9] Annual Report of the Seattle Lighting Department for 1912–1913.

Thus it appears that it costs on an average 5⅞ cents per k.w.h. more for electricity under private ownership than it does under public ownership. In other words, it costs more than twice as much. A comparison of the rates charged for electricity in about 150 cities in the United States indicates that the rates charged under private ownership range from about 10 cents per k.w.h. *upward,* and the rates under public ownership range from 10 cents per k.w.h. *downward.*

As illustrating the possibilities of municipal ownership in the matter of electric lighting, Professor Frank Parsons has prepared the table which appears on the following page.

Perhaps one of the most striking illustrations of what municipal ownership can do in this respect is illustrated by the experience of Pasadena, California. The people were paying 15 cents per k.w.h. up to 1908. Then a municipal plant was projected. The company at once reduced its rates to 12½ cents per k.w.h. The city, however, kept on with its project and it was so successful that it was found possible to reduce the rates first to 8 cents, then to 7, and finally to 5 cents per k.w.h. In each case the

Cost of Electric Light Before and After Public Ownership [10]

Total cost per lamp year for electric street lights before and after public operation, the "after" service being as good or better than the service it replaced.

	BEFORE	AFTER	AFTER
	Price paid private company per street arc just before public operation began	*Cost per arc including operating expenses, taxes, insurance depreciation and interest*	*Cost under complete public ownership including operating expenses, taxes, insurance and depreciation but not interest, there being no interest when the people own the plant free of debt*
Aurora, Ill.	$325	$72	$61
Elgin, Ill.	228	65	56
Fairfield, Ia.....	375	95	80
Marshalltown, Ia.	125	40	30
Bay City, Mich..	100	67	58
Detroit, Mich....	132	83	68
Allegheny, Pa...	180	86	75
Bangor, Me.	150	58	48
Lewiston, Me....	182	58	52
Peabody, Mass...	185	73	62

company finally met the municipal rates and in one case even tried to break the support of the municipal plant by underselling at a loss in Pasadena and making up the loss by charging higher rates in cities nearby in which it also owned plants. This, however, was stopped by

[10] "City for the People," by Frank Parsons, p. 129.

the state legislature and the company's rate now stands at 5 cents, the same as the municipal rate. But the municipal plant brought it down from 20 cents to 5 cents and the city has saved itself $731,083.96, has accumulated a surplus of $71,110.08, and has a plant valued at $557,-255.67.[11]

The price charged for electricity by the private company in Cleveland, Ohio, before the city installed its municipal light plant was 12½ cents per k.w.h. The municipal plant reduced the rate to 3 cents per k.w.h. and still made a profit of $217,721.41 during 1915.[12]

The municipal plant at Tacoma, Washington, sells electricity as low as 1 cent per k.w.h. for cooking purposes; and Jacksonville, Florida, has a 2-cent rate for cooking and heating.

In North Platte, Nebraska, during a recent agitation for a municipal electric lighting plant, the city council appointed a special committee to investigate the question of rates charged for electricity in cities of about the population of their city (about 5,000) under private and

[11] Seventh Annual Report of Pasadena's Municipal Lighting Works, 1913–14.

[12] *Utilities Magazine*, Philadelphia, July, 1916, pp. 9–16.

public ownership. The following table is taken from the report of this special committee:

PRIMARY RATES

City	*Municipal*	*Private*	*City*
Hasting, Neb.	6½c	15c	....York, Neb.
Schuyler, Neb.....	12c	15c	....Holdrege, Neb.
Grand Island, Neb..	11c	10c	....Grand Island, Neb.
Fremont, Neb.	9c	15c	....Aurora, Neb.
Lincoln, Neb.....	9c	15c	....McCook, Neb.
Crete, Neb.	15c	13c	....Lincoln, Neb.
Wahoo, Neb.	15c	15c	....Sidney, Neb.
Kenesaw, Neb.	12c	12c	....Omaha, Neb.
Ottawa, Kan.	10c	10c	....Kearney, Neb.
Norton, Kan.	15c	18c	....Lexington, Neb.
Eldorado, Kan.....	12c	13½c	....Beatrice, Neb.
Webster, Iowa.....	10c	15c	....North Platte, Neb.
Atlantic, Iowa.....	10c	18c	....Columbus, Neb.
Mt. Pleasant, Iowa.	10c	10c	....Norfolk, Neb.
Vinton, Iowa	12c	11c	....Peoria, Ill.
Average	11.24c	13.7c	

MINIMUM RATES

City	*Municipal*	*Private*	*City*
Hasting, Neb.	6½c	6c	....York, Neb.
Schuyler, Neb.	8c	8½c	....Holdrege, Neb.
Grand Island, Neb..	11c	10c	....Grand Island, Neb.
Fremont, Neb.	9c	8c	....Aurora, Neb.
Lincoln, Neb.....	9c	12c	....McCook, Neb.
Crete, Neb:	6c	10c	....Lincoln, Neb.
Wahoo, Neb.	10c	6½c	....Sidney, Neb.
Kenesaw, Neb.	10c	6c	....Omaha, Neb.
Ottawa, Kan.....	4c	10c	....Kearney, Neb.
Norton, Kan.	6c	10c	....Lexington, Neb.
Eldorado, Kan.	8c	6c	....Beatrice, Neb.
Webster, Iowa	10c	10c	....North Platte, Neb.
Atlantic, Iowa	6c	5c	....Columbus, Neb.
Mt. Pleasant, Iowa.	10c	10c	....Norfolk, Neb.
Vinton, Iowa	6c	7c	....Peoria, Ill.
Average	7.97c	8.33c	

From this it appears that even in the smaller cities the municipal plants are giving the people a little better rates than the private plants are giving.

In waterworks the rates charged by private plants, taking the United States as a whole, are 43 per cent. more per family than those charged by municipal plants.[13]

One rather striking and significant illustration of the reduction of rates through municipal ownership should be mentioned. In Zurich, Switzerland, in 1907, the city, finding that house rents were rising rapidly, appropriated $500,000 for the construction of 225 houses. The matter was approved later by referendum vote and the houses built. They are said to be in many respects superior to those built by private enterprise and yet the rents are much lower. The following shows the comparison as to rents charged by private capitalists and the city:

House Rent Under Public and Private Ownership

	Public	*Private*
Two rooms and kitchen.....	$ 76 per year	$ 85 per year
Three rooms and kitchen.....	100 per year	121 per year
Four rooms and kitchen	120 per year	180 per year

[13] "City for the People," by Frank Parsons, pp. 121–122.

In this case the municipal ownership of houses reduced the rents 10 per cent. on the three-room apartments, 17 per cent. on the four-room apartments, and 33⅓ per cent. on the five-room apartments. Many other cities in Europe and elsewhere are doing the same.

Thus everywhere and in every line municipal ownership results in the reduction of rates, or of the service rendered.

Better Service—The change from private to municipal ownership is in nearly every case attended with an immediate improvement of the service. In Glasgow, the inauguration of municipal ownership meant also the immediate introduction of modern and up-to-date methods of operation and equipment. The lines were electrified, better cars were installed, and other improvements made.[14] As a rule better service is supplied by the use of additional cars,[15] thus eliminating overcrowding;[16] and a better quality of water and more sanitary conditions by

[14] *Annals of the American Academy of Political and Social Science*, pp. 196, 198.

[15] "Municipal Ownership in Great Britain," by Frederic C. Howe, pp. 80–82.

[16] "European Cities at Work," by Frederic C. Howe, p. 340.

municipal water plants;[17] while the city as a rule gets the advantage of free or at least a low cost of fire protection.[18] And finally it is pretty well agreed that a better system of extensions and improvements is secured under municipal than under private ownership.[19]

Profits, if Any, Go to the People—It is not essential that there should be a profit under municipal ownership, as we have already pointed out. The purpose of municipal ownership is not profit but service. And the right way to manage a public utility under public ownership is to manage it not to make large profits, but to improve, extend, and perfect the service and raise the conditions of labor. Moreover, municipal ownership should not be used as a means of making profits in order to reduce taxes.

However, it is necessary for a public enterprise to be so conducted that it will provide interest on the capital borrowed and a sinking fund to retire the loan. These are only the means by which a city works its way out of the

[17] Report of the Civic Federation, vol. I, pt. I, p. 128.
[18] *Idem.*, p. 129.
[19] "City for the People," Frank Parsons, pp. 169–171.

grip of private monopoly. It may also be wise to use the profits of one public utility to accumulate public funds with which to buy other utilities, but aside from these purposes there is no reason why municipal ownership should try to make profits.

However, as showing that municipal ownership is entirely practical, even from the financial standpoint, it is worth pointing out that cities everywhere are making profits and in many cases large profits on their plants. And what is still more important, when they do make profits, those profits go to the people and not to some few private owners.

In Glasgow, for example, the net profits from its municipal street railways in one year (1905) were $1,609,987, from its gas plants $271,930, from its electric plants $358,646, from its water system $284,246, and from its telephones $56,246 —a total of $2,580,946 of net profits in a single year in a single city on its municipally owned enterprises.[20]

Mannheim, in Germany, makes a net profit of $44,942 from its municipal street railways, $123,021 from its waterworks, $165,641 from its

[20] "The British City," Howe, p. 197.

gas plants, and $127,366 from its electric plants —a total of $460,970 from these four utilities alone in this comparatively small city.[21]

Berlin made a clear profit of $4,000,000 on its municipal gas plants alone in 1913;[22] Liverpool derives a revenue of $500,000 a year from the rental of its lands.[23]

Here in the United States municipal plants have also made profits, in some cases really great. The city of Chicago, for example, is now making a net profit of over $3,000,000 a year on its water system.

The city of Los Angeles has installed a great water system in recent years and the profits that have accrued to the city during the first eleven years of its operation amount to $8,286,-531.14.[24]

Philadelphia is said to make a profit of $900,-000 a year;[25] New York clears over $2,130,000 a year.[26]

The Chicago municipal electric lighting plants

21 "European Cities at Work," Howe, p. 214.
22 *National Municipal Review*, July, 1914.
23 "The City the Hope of Democracy," Howe, p. 154.
24 *National Municipal Review*, January, 1915.
25 "The City for the People," Parsons, p. 144.
26 *Idem.*, p. 144.

are said to have saved the city $743,494 besides paying for the plants, which are appraised at $1,315,707.[27]

Winnipeg cleared $60,000 on its electric light and power plant in 1913–14, with a 3-cent per k.w.h. rate.[28] The Tacoma, Washington, municipal plant made $321,944.75 last year,[29] and the municipal plant in the little city of Jacksonville, Florida, pays one-third of the entire city taxes.[30]

And these, of course, are only a few instances of what might be indefinitely continued.

Municipal Ownership Tends to Eliminate Political Corruption and to Elevate the Civic Standard—The best governed cities in the world are the very cities where there is most municipal ownership. The municipal government of Germany and, next to that, of England, is the best in the world. And the cities where municipal corruption has reached its extremes are the cities of the United States, where we

[27] Report of National Civic Federation on Municipal and Private Operation of Public Utilities, vol. I, pt. I, pp. 178, 180.

[28] *Municipal Journal*, Oct. 29, 1914.

[29] *Idem.*, Apr. 8, 1915.

[30] *Idem.*, Feb. 26, 1914.

have had the least degree of municipal ownership.

And there is a very natural reason for these things. When a city takes over a public utility it removes that much of the public service operations from the field of personal and political contention. There is no further incentive for men to try to bribe city officials, commissions, or state legislatures in order to get control of that utility. And the more of the public utilities that are taken over the less of the field is left for the operation of corrupting influence.

Moreover, under municipal ownership, if mistakes are made through the weakness or veniality of public officials in one administration, such officials may be eliminated at the next election and the mistakes corrected. But under private ownership a bad city council may grant a franchise for 20, even 30 years, and it is practically impossible for the people to extricate themselves. In New York city, for example, one notorious Jacob Sharp managed to secure a franchise by methods so flagrant that he was caught and landed in the penitentiary. But the franchise held good just the same. It went into

the hands of others and all of its extortions were practiced on the people to the end of its term. Under municipal ownership the whole situation could have been corrected at the next election at the latest.

Better Social and Industrial Adjustment—Municipal ownership tends to create a better industrial adjustment. Because of better wages, shorter hours, and a progressive improvement in labor conditions, there are fewer labor troubles and strikes. And by the elimination of the excessive rates and other financial extortions, and especially by returning the profits, if any, to the public funds, the concentration of wealth is arrested and a greater diffusion of wealth effected.

Herein lies what seems to us to be the most important consideration in favor of municipal ownership. It is more important even than the fact that municipal ownership secures better service, lower rates, better conditions for labor, and the other advantages we have enumerated. For municipal ownership, tending as it does to a diffusion of wealth and power, contributes to democracy in the industrial and economic life of the people. And industrial democracy is the

very cornerstone of our civilization and the only guarantee of future progress.

This argument has been so well stated by Delos F. Wilcox in his address before the conference of mayors in Philadelphia that we present it here:

While it is true that in its relation to public utilities the ultimate demand of the public is for the best possible service at the lowest practicable cost, I do not admit that the entire case is to be determined by a comparison of the rates and efficiency of operation of individual public and individual private plants. . . . I take my stand for the immediate adoption of the policy of ultimate municipal ownership on broader grounds. I need not repeat what I have already said in regard to the recognized public character of these services. I need not go at length into the difficulty of adequately regulating a private monopoly. I need not claim greatly reduced rates or greatly improved service as the immediate result of municipal ownership. All these considerations are factors in the great development of city civilization which makes ultimate municipal ownership of public utilities appear to be inevitable, whether we want it or not. But back of all the usual arguments, pro and con, on this subject lies the fundamental fact that the existence of a great body of private capital invested in the public streets is a continuing menace to a city's welfare.

The concentration of the control of enormous masses

of the commonwealth in the hands of a few men, irresponsible to the community for the manner in which they exercise such control, is in itself a recognized menace to civilization. This applies to all kinds of enterprises, but when we come to public utility enterprises, which are actually performing a public function, and which are constantly in contact with the regularly established political authorities, and which operate by means of easements in public property, the dangers of concentration of control are multiplied.

It is well known that in the great cities the development of land values is such as to make it impracticable for the majority of men to be landholders. Cities create a proletariat, a fourth estate, which, in proportion as it becomes landless, homeless and propertyless, becomes a dangerous element in a democracy. Political and economic stability rest upon widespread participation in wealth. The conditions that prevail in modern cities in certain respects tend to cultivate the most dangerous factors in democracy. Cities by their very nature are coöperative, and public utilities, par excellence, are the visible symbols of that coöperation. If in the cities we are passing out of the stage of widespread individual ownership, our only safe course is to develop a strong community ownership, not a mere sentimental loyalty attaching to the city that we love, but a substantial, universal, economic interest in it. Capital is too valuable to society to be wastefully destroyed. We all respect it. If we destroy it, we are destroying that which ultimately be-

longs to the community. The public ownership of public utilities, which is merely the complete public ownership of the public streets, not only frees the agents of the people from the compelling influence of invested private capital, but gives those agents and the people they represent a new sense of responsibility, a new sense of civic loyalty and a new attitude of conservatism, all of which are of the utmost importance in the orderly development of our civilization.[31]

3. *Advantages to Labor*

The more alert and well informed of the working class all along have seen the advantages to labor in municipal and public ownership. From the beginning they have taken an active part in the campaigns for public ownership. All over the world organized labor favors municipal ownership.

Organized Labor Favors Municipal Ownership—The American Federation of Labor has stood officially for public ownership for many years and officially advocates municipal ownership in particular. At its annual convention in December, 1896, it passed the following resolutions:

[31] *Annals of the American Academy of Political and Social Science*, January, 1915, vol. LVII, whole No. 146, pp. 17–18.

Resolved, that the sixteenth annual convention of the American Federation of Labor urges upon all the members of affiliated bodies that they use every possible effort to assist in the substitution in all public utilities, municipal, state and nation, that are in the nature of monopolies—of public ownership for corporate and private control.[32]

In a leaflet published and distributed by the national headquarters of the American Federation of Labor at Washington, D. C., is given "A Few of the Declarations of the A. F. of L.," upon which it appeals to all working people to "organize, unite, federate, and cement the bonds of fraternity." And among those demands Number 8 is "the municipal ownership of public utilities."

Thus the American Federation of Labor stands officially in favor of both public ownership and municipal ownership, and thus is in line with the organized labor movement of the world in this respect. Some of the affiliated bodies are even more emphatic.

Perhaps the strongest position ever taken by any of the American unions is that by the electrical workers. In their official organ, *The*

[32] Report of proceedings, p. 102.

Electrical Worker, of August 29, 1914, they publish one of the most incisive and conclusive arguments in favor of municipal ownership. And the whole contention is that municipal ownership is the one and the all-important means by which the labor conditions in the electrical world can be improved. They show that municipal ownership could be made to yield $2300 per employee a year in higher wages and better conditions.[33]

The International Association of Machinists, in its official platform, urges its members to vote and work, among other things, for the "public ownership of all public utilities."[34]

Everywhere in Europe the organized labor movement favors and is committed to municipal ownership. The trades-union convention of England at its session in 1905 adopted without debate a resolution urging its parliamentary committee to "bring all possible pressure to bear upon the members of parliament and other public representatives, so that public bodies may be empowered to enter into and carry on

[33] P. 1229 ff.

[34] See *Machinists' Journal,* almost any number—the declaration of principles is kept standing.

any work or business in behalf of the people so as to steady the volume of work and provide work at fair rates for those who would be otherwise idle."[35]

In Switzerland, when the question of establishing government ownership was agitating the nation, the trade unions, including the powerful organization of railway employees, all actively favored the law. The central body of the Swiss unions "decided unanimously to ask the societies to work to the measure of their power in favor of the adoption of the purchase laws."[36]

From this it will appear that the organized labor movement in the world is practically a unit on the matter of municipal ownership. Its long and world-wide experience has convinced it that its interests fare better under municipal than under private ownership.

Municipal Ownership Pays Better Wages and Gives Better Hours—In England, for example, municipal ownership of street car lines has resulted in a reduction of 48 per cent. in the hours

[35] National Civic Federation Report on Municipal and Private Operation of Public Utilities, vol. II, pt. 2, p. 58.

[36] "Railways, Trusts and the People," Parsons, p. 360.

and an increase of 42 per cent. in wages.[37] The betterment of labor conditions in London alone is said to amount to $200,000 a year, while in Glasgow it is estimated to amount to $500,000 a year. Moreover, these increases of wages are progressive. For example, in September, 1912, the Labor party in Glasgow secured an increase of from 25 to 50 cents a week for thousands of public employees in the gas, street car, and other public works. The total additional expenditure involved in this increase amounted to $45,000.[38]

All-round increases of wages on account of the increased cost of living are a general rule with German municipalities, and the Kommunales Jahrbuch, 1912–13, gives details of eighty-four cities which during the year had granted such increases.[39]

On many of the state-owned railways of the Continent the wages of all workers have been raised even without previous demands from the men, on account of the increased cost of living.[40]

[37] "The British City," Howe, p. 141.
[38] "Collectivist State in the Making," Davies, p. 254.
[39] *Idem.*, p. 195.
[40] *Idem.*, p. 195.

In Manchester the hours of labor were reduced from 70 to 54 a week by municipal ownership, while the wages were not reduced.[41]

The following table is taken from the report of the National Civic Federation on "Municipal and Private Operation of Public Utilities," vol. I, part 1, p. 280:

Wages and Hours of Labor on Municipal and Private Street Railways in England

Public Ownership			*Private Ownership*		
	Hours per week	*Maximum pay per week*	*Hours per week*	*Maximum pay per week*	
Glasgow	54	$7.44	70	$9.24	...London United
Manchester ...	54	7.44	70	6.78	...Dublin United
Liverpool	60	7.50	70	6.72	...Norwich
London C. C..	60	9.00	70	6.12	...Bristol
Average	57	$7.84	70	$7.20	

In Paris the wages of the municipal employees have been raised from an average of $259 to $441.77, an increase of over 70 per cent., and at the same time the hours of labor have been reduced. Similarly the wages of the employees on the public railways have been increased over 60 per cent.[42] We know of no

[41] Municipal Ownership in Great Britain, Bulletin No. 62, U. S. Department of Commerce and Labor, 1906, p. 104.

[42] "Collectivist State in the Making," Davies, pp. 254–256.

such increases of wages on private enterprises anywhere.

Here in America the story is the same. The study of labor conditions made by John R. Commons in connection with the investigation made by the National Civic Federation brought out the following facts with regard to hours and wages under public, as compared with private ownership and operation in the United States:

	Municipal		*Private*	
	Wages	*Hours*	*Wages*	*Hours*
Syracuse	$1.50	8	$1.50	10
Detroit	1.75	8	1.60	9
Allegheny	2.75	8	1.75	10
Wheeling	1.85	8	1.85	10
Cleveland	1.76	8	1.75	10
Indianapolis	1.60	8	1.50	10
Chicago	2.00	8	1.75	10
New Haven	1.50	8	1.50	9
Richmond	2.00	9	1.20	9
Atlanta	1.00	10	1.00	10
Average	$1.77	8½	$1.56	9¾

In gas works the hours are generally eight a day under municipal ownership, and twelve under private, while the wages are from 30 to 130 per cent. higher.

The wages of the employees on the Chicago municipal waterworks and the municipal lighting plants are the highest of their kind in Amer-

ica.[43] Private water plants in the vicinity of Chicago pay an average of 26 cents an hour in wages. The Chicago municipal plant pays 42 cents.[44]

The municipal street railway of San Francisco pays its employees $3 a day for an eight-hour day. The private companies pay their men $1.50 to $1.70 a day for a ten-hour day.

Thus in every direction labor conditions are immediately improved by public ownership, and what is even more important, they continue to improve steadily. Take the case of the government employees as an illustration. While the treatment of labor in the postal department is not in all cases by any means what it ought to be, so that the unions are often protesting against the treatment received, the fact remains that in many respects it is better than under private employment. If we compare the railway mail clerks and postal carriers who work for Uncle Sam with private employees in similar lines, we find that the hours of labor average 2½ hours

[43] *Annals of the American Academy of Political and Social Science*, January, 1915, vol. LVII, whole No. 146, pp. 38–39.

[44] Report of Commission on City Expenditures on the Water Works Commission of the City of Chicago, 1911, p. 10.

less a day, and the wages average $375 a year more in the public than in the private employment.[45]

The Federal Government has been a pioneer in reducing the hours of labor of its employees. In 1840, at a time when in private employment eleven or twelve hours was the rule, an order of the President provided for ten hours in all public employment; and again in 1868, after private employment had reached the standard of ten hours, Congress reduced the hours for public employees to eight. The hours of the clerical and official force are 6½ to 7½ hours a day.

State governments and city authorities have followed the Federal Government in the adoption of the eight-hour day. New York was the first city to introduce it in 1870. At present there are eight or nine States which prescribe the eight-hour day on all public works.[46]

It is facts like these, steadily accumulating in number and conclusiveness, that has put the labor movement on the side of public and municipal ownership. They see that it is the most

[45] "City for the People," Parsons, tables on pp. 164–165.

[46] "Trades Unionism and Labor Problems," John R. Commons, p. 478.

effective means of securing the chief objects of their struggles, viz., the increase in wages and the reduction of hours.

Municipal Ownership Reduces the Cost of Living—We have shown above how municipal ownership has reduced the cost of water, gas, light, street car service, and even rent. Every one of these items enters into the cost of living. And this for labor is a most vital and serious problem. The reduction of the rates charged for these necessities, as we have shown, has amounted to from 10 and 15 per cent. to as high as 50 and even 65 per cent. through municipal ownership. That is a tremendous saving in the cost of living and constitutes another strong argument for municipal ownership.

Fewer Strikes and Labor Troubles—Under private ownership the strike is the only method by which labor can finally protect itself or enforce its demands. It is a clumsy and a fearfully costly weapon to wield, and besides it is far from being universally successful. Under municipal ownership, in the first place, it is found that the public is readier to grant any reasonable demand of labor because the public is not so concerned to make a profit. Besides,

under municipal ownership labor has a share in the control of the utilities by reason of the ballot. Labor can elect its own representatives to the governing body and thus secure a recognition of its rights. Furthermore, in the public ownership movement, already plans are being devised by which the workers shall have representatives upon the commissions charged with the control of public utilities. It is certain that as municipal ownership extends to more and more of our public utilities labor will give its attention to better organization politically as well as otherwise, and that in this way its reasonable demands may all be achieved more easily, quickly, and cheaply than under the system of private ownership.

Indeed, it is precisely this that is urged against municipal ownership by its enemies. They argue that it would make it too easy for labor to get improved conditions.[47]

Other Advantages to Labor—Besides the advantages mentioned above there are others which may be merely mentioned. Municipal ownership is more generous to labor in the mat-

[47] "Collectivist State in the Making," Davies, pp. 9, 191–202, 252–253.

ter of holidays and rest days than private enterprise.[48]

In providing uniforms, rest rooms, vestibules for the protection of motormen, and similar comforts and conveniences, the municipalities have shown themselves more generous and ready to act for labor than private companies.[49] Municipal ownership is also much more generous to labor in the matter of providing for relief in sickness, accident, old age, and even in the case of unemployment.[50] And, finally, it is the municipalities alone that are helping the workers to solve their housing problems, which they are doing, as we have explained, through the municipal ownership first of land and then of houses.

In Conclusion

Reviewing the whole situation, it is clear that labor stands to gain by municipal ownership; the "consumers" or the users of the public utilities stand to gain by municipal ownership, and the public stands to gain by municipal ownership. Only those who own and operate the

[48] "City for the People," Parsons, p. 160.
[49] *Idem.*, pp. 98–99.
[50] "European Cities at Work," Howe, pp. 124–142.

utilities stand to lose—and theirs will be only a temporary loss that will more than be made up to them, we verily believe, in the vastly greater gains of the common good.

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